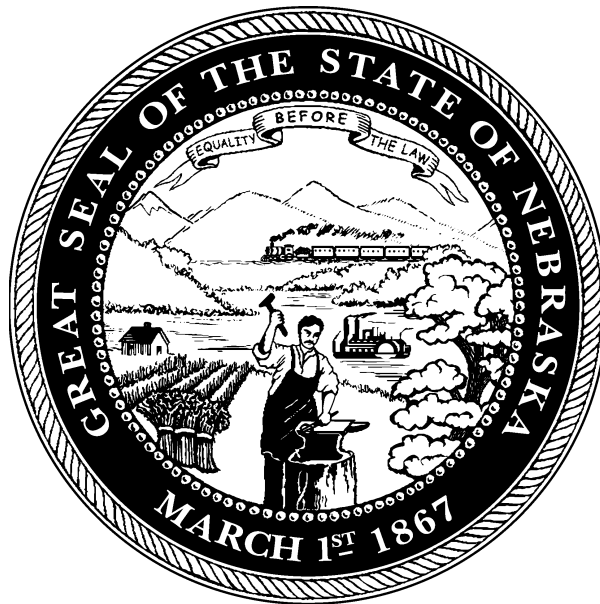


State of Nebraska

Comprehensive Annual Financial Report

Year Ended June 30, 2007



Dave Heineman
Governor

Administrative Services

Carlos Castillo, Jr.
Director

Paul Carlson
State Accounting Administrator



Dave Heineman
Governor

STATE OF NEBRASKA

OFFICE OF THE GOVERNOR
P.O. Box 94848 • Lincoln, Nebraska 68509-4848
Phone: (402) 471-2244 • gov.heineman@gov.ne.gov

December 28, 2007

Members of the Legislature
Citizens of the State of Nebraska

It is my pleasure to submit Nebraska's Comprehensive Annual Financial Report for fiscal year 2007.

This report is an important part of our efforts to provide timely and accurate financial reporting to ensure proper handling of taxpayers' money. It provides a complete picture of the State's financial status and is an excellent means of meeting our continuing disclosure responsibilities in accordance with governmental reporting standards.

Our ability to manage our fiscal affairs is demonstrated by the unqualified audit opinion that follows. I am also proud that the 2006 report submitted to the Government Finance Officers Association was, for the sixteenth consecutive year, awarded the prestigious Certificate of Achievement for Excellence in Financial Reporting. I am confident the 2007 report will also receive this distinction.

I would like to thank Administrative Services for its commitment in dealing with the complex accounting issues involved in preparing this report, as well as all the state agencies for their cooperation in gathering the necessary information.

Sincerely,

A handwritten signature in cursive script that reads "Dave Heineman".

Dave Heineman
Governor

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2007

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INTRODUCTORY SECTION

SELECTED STATE OFFICIALS

As of June 30, 2007

EXECUTIVE

Dave Heineman

Governor

Rick Sheehy

Lieutenant Governor

Jon Bruning

Attorney General

Mike Foley

Auditor of Public Accounts

John A. Gale

Secretary of State

Shane Osborn

State Treasurer

JUDICIAL

Supreme Court of Nebraska

Michael G. Heavican, Chief Justice

William M. Connolly, Justice

John M. Gerrard, Justice

Michael McCormack, Justice

Lindsey Miller-Lerman, Justice

Kenneth C. Stephan, Justice

John F. Wright, Justice

LEGISLATIVE

Mike Flood

Speaker of the Legislature

Nebraska Unicameral (49 Senators)



Dave Heineman
Governor

STATE OF NEBRASKA

DEPARTMENT OF ADMINISTRATIVE SERVICES
Carlos Castillo
Director
Suite 1315, State Capitol
Lincoln, Nebraska 68509-4664
Phone (402) 471-2331

December 28, 2007

The Honorable Dave Heineman, Governor
Members of the Legislature
Citizens of the State of Nebraska

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of Nebraska (the "State") for the fiscal year ended June 30, 2007. This report is the primary means of reporting the State government's financial activities. The State of Nebraska's financial statements have been audited by the State of Nebraska Auditor of Public Accounts. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the State's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP). The independent auditor's report is presented as the first component of the financial section of this report. The CAFR has been prepared in conformance with Governmental Accounting Standards Board (GASB) statements 34 and 35, and other related statements. This reporting model's objective is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements.

The independent audit of the financial statements of the State was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the State's separately issued Single Audit Report.

The CAFR is presented in three sections. (1) The Introductory Section contains this letter of transmittal and some information about the State and its operations. (2) The Financial Section contains Management's Discussion and Analysis, Government Wide Financial Statements, Fund Financial Statements for Governmental Funds, Proprietary Funds, Fiduciary Funds, and Combining Statements for Major Component Units. The Financial Section also includes the Notes to the Financial Statements, Required Supplementary Information and various combining statements. (3) The Statistical Section contains selected financial and demographic information, generally presented on a multi-year basis.

The CAFR consists of management's representations concerning the finances of the State of Nebraska. The State Accounting Division of Administrative Services assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the State has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State's financial statements in conformity with GAAP for governments. Because the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The State was admitted to the Union as the thirty-seventh state in 1867. Nebraska's government is divided into three branches: legislative, executive and judicial. Nebraska is the only state with a Unicameral Legislature, which has 49 non-partisan members. The chief executive is the governor, who is elected for a four-year term. Within the executive branch are various departments and agencies that perform a variety of functions. Since Nebraska's Constitution generally allows no indebtedness, government expenses of such departments and agencies must be met on a pay-as-you-go basis. The State provides a full range of services including: the construction and maintenance of highways and infrastructure, education, social and health services, public safety, conservation of natural resources, economic development, and recreation facilities and development. An organizational chart of the State is shown on page 10.

The State reporting entity reflected in this CAFR is described more fully in Note 1.B. to the financial statements. It should be noted that the reporting entity includes the familiar government activities plus two component units, the University of Nebraska and the State College System.

Budgetary control of state expenditures is maintained chiefly by three processes. First, a budget is required to be adopted through passage of appropriation bills by the Legislature. Second, the appropriated funds are allocated by program and fund type and are controlled by the executive branch through an allotment process. The Legislature may also enact a supplemental appropriation bill and other appropriation bills as it deems necessary. Finally, the State's accounting system is designed to budget check each expenditure to ensure the appropriation is not exceeded.

Budget-to-actual comparisons are provided in this CAFR for various categories of General Fund revenues and appropriated annual budgets. This comparison is presented on page 66 as part of the Required Supplementary Information to the basic financial statements for the governmental funds. Budget-to-actual comparisons for Cash Funds, Construction Funds, Federal Funds, and Revolving Funds are also presented as Required Supplementary Information on pages 67 through 70.

FACTORS AFFECTING FINANCIAL CONDITION

In order to better understand the information presented in the basic financial statements, such information should be considered from the broader perspective of the specific environment within which the State operates.

Current Revenue Outlook

The General Fund operations of the State are almost entirely dependent upon the income and sales taxes the State receives each year. Such taxes represent over 92 percent of all General Fund revenues. Net revenue from income taxes and sales taxes from all funds for the fiscal year ended June 30, 2007 increased \$85 million over the prior year, due to the steady growth in Nebraska in all areas: jobs, income and revenue. In finalizing the biennium budget for the fiscal years ending June 30, 2008 and June 30, 2009, the Legislature, as required by the State Constitution, balanced the budget.

For the fiscal year ending June 30, 2007, the State's General Fund ended the fiscal year with a cash and investments balance that exceeded one billion dollars for the first time ever, at \$1.114 billion.

The current forecast for fiscal year 2008 anticipates net receipts in the General Fund to increase about \$50 million, or approximately a 1.5% increase over fiscal year 2007. No significant changes in revenue are anticipated in the other funds.

Economy of the State

The Bureau of Business Research of the University of Nebraska-Lincoln and the Nebraska Business Forecast Council remain optimistic on Nebraska's economic future and have published the following comments about its economy. Aggregate farm income is expected to grow rapidly in the next two years. Solid broad-based employment growth, rising proprietor incomes, and strong growth in dividend and interest incomes will lead to strong overall growth in non-farm personal income. While housing construction will not fully recover until 2008 or 2009, other components of the construction industry, such as hospital, health care, hotel and restaurant construction activity should grow steadily. Nebraska should also continue to benefit from further decentralization of manufacturing activity away from the industrial Midwest to areas in Nebraska. Opportunities continue to improve in the food processing sector and the transportation and warehousing industries are expected to continue to expand rapidly. Finally, strong growth is expected in services employment, in areas such as health care and social assistance.

	ACTUAL			PROJECTED		
	2004	2005	2006	2007	2008	2009
Nonfarm Employment:						
Annual Totals	922,300	935,000	946,900	960,300	977,600	996,200
Growth Rates	0.9%	1.4%	1.3%	1.4%	1.8%	1.9%
Nonfarm Personal Income:						
Annual Totals (in millions \$)	53,869	56,191	59,316	62,783	66,744	71,082
Growth Rates	4.8%	4.3%	5.6%	5.8%	6.3%	6.5%
Net Taxable Retail Sales						
Growth Rates:						
Total	6.9%	3.5%	2.1%	3.1%	4.1%	4.8%
Motor Vehicle Sales	-0.3%	-4.6%	-3.3%	0.0%	5.2%	4.5%
Non-motor Vehicles Sales	8.0%	4.6%	2.9%	3.5%	4.0%	4.8%

Long-term Financial Planning

The State always is looking at least four years out in its analysis of the status of the financial condition of the State in preparing the State's budgets. Currently we have a working model of the biennium budget for fiscal years 2010 and 2011. In our analysis, we use forecasting models to forecast revenue and then examine major expenditures, especially those that have a trend of outpacing revenues. As discussed before, future revenues are projected to increase between 4 and 6 percent annually. This increase is quickly tempered by the fact that during the last legislative session the Legislature passed the largest tax relief package in the history of the State. This moderate growth of income will not be enough to counter the future estimates of school aid increasing 6%, Medicaid increasing 7.5% and public assistance increasing 9%. Since these expenditures comprise about half of the General Fund expenditures, this puts much pressure to keep all other costs of running the State to a "minimum increase" mode in order to provide a mandated balanced budget. To ensure we do have a balanced budget, the State exerts considerable time and effort in reviewing the trends of future revenues and expenditures.

Major Initiatives

One of the Governor's four priorities is economic vitality. To help boost Nebraska's economy, he has secured a \$400 million trade agreement with Taiwan for Nebraska wheat, soybeans and corn. He also signed two \$30 million trade agreements with Cuba for Nebraska wheat, soybeans, dry beans, pork and beef and has opened Nebraska's first international trade office abroad with the opening of the Nebraska Center in Tokyo, Japan.

Another priority is gaining efficiency in government. The Legislature recently enacted a bill making the Department of Health and Human Services a more efficient and effective agency. All agencies are also examining ways to reduce costs in order to ease the upcoming budget "squeeze" as described in the previous section.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its CAFR for the fiscal year ended June 30, 2006. This was the sixteenth consecutive year that the State has received this prestigious award. In order to be awarded a Certificate of Achievement, the State published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This report continues our commitment to comprehensive disclosure of the State's financial condition. We are committed to issuing reports that are informative and meet governmental accounting standards. Reports that meet these standards provide the reader with an opportunity to make more informed judgments about the government's financial position and results of operations.

The 2007 CAFR represents the continuous effort on our part to fulfill this commitment. We wish to express our appreciation to the accounting staff of the State Accounting Division of Administrative Services and the budget and accounting staff throughout State government for their assistance in the preparation of this report.

Questions or requests for additional information related to this report can be directed to the State Accounting office at (402) 471-2581.

Respectfully submitted,

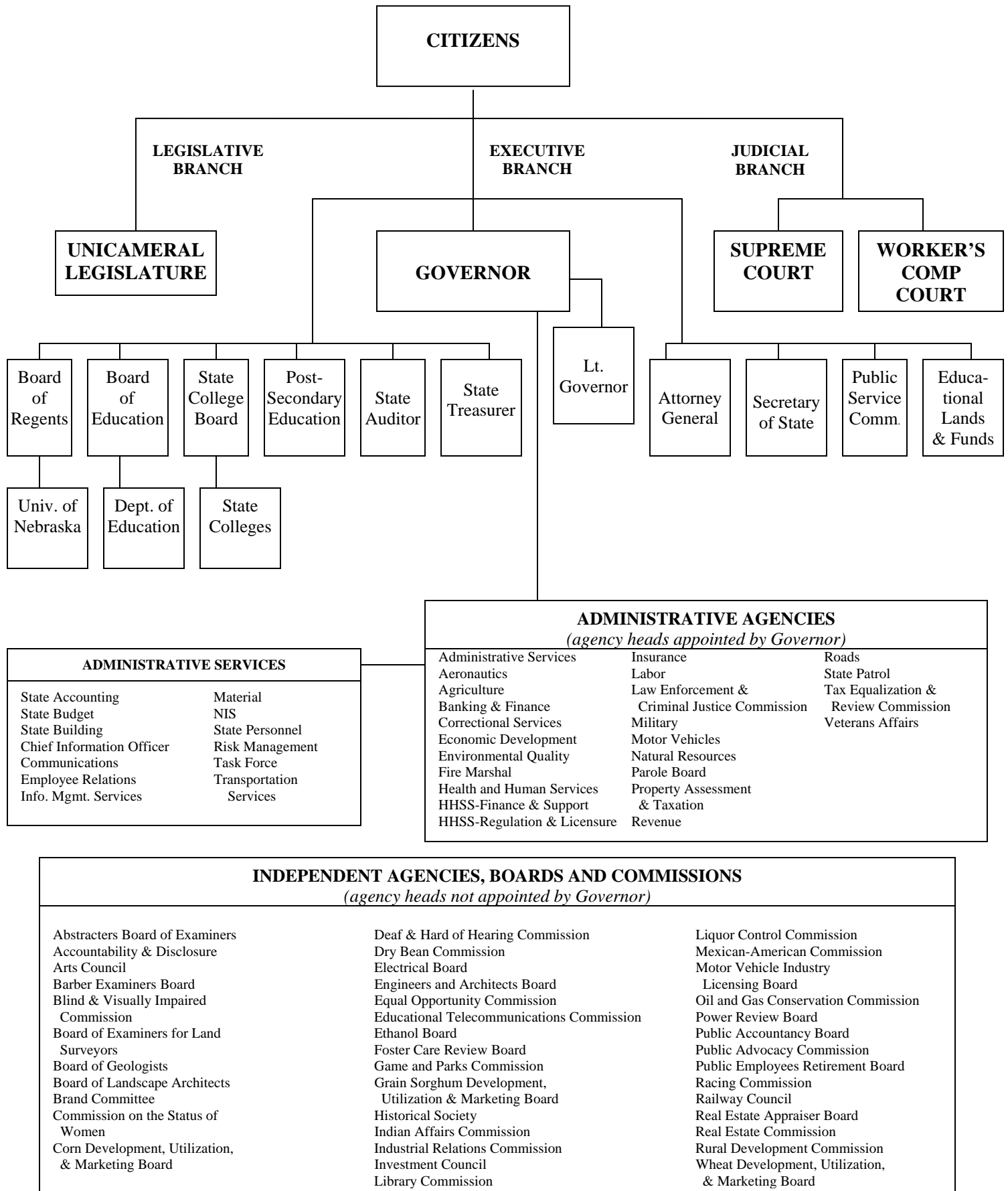
A handwritten signature in black ink, appearing to read 'Carlos Castillo, Jr.' with a stylized flourish at the end.

Carlos Castillo, Jr.
Director, Administrative Services

A handwritten signature in black ink, appearing to read 'Paul Carlson' in a cursive script.

Paul Carlson
State Accounting Administrator

Nebraska State Government Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Nebraska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director





FINANCIAL SECTION



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@apa.ne.gov
P.O. Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

Independent Auditors' Report

The Honorable Governor,
Members of the Legislature and
Citizens of the State of Nebraska:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska, as of and for the year ended June 30, 2007, which collectively comprise the State of Nebraska's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Nebraska's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Nebraska State College System's foundations, the University of Nebraska, the College Savings Plan, and the NETC Leasing Corporation. The State College System's foundations and the University of Nebraska represent 96% of both the assets and revenues of the aggregate discretely presented component units' information. The College Savings Plan and the NETC Leasing Corporation represent 13% and 19% of the assets and revenues, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Nebraska State College System's foundations, the University of Nebraska, the College Savings Plan, and the NETC Leasing Corporation is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Nebraska State College System's foundations, the College Savings Plan, and the NETC Leasing Corporation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.


In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2007, on our consideration of the State of Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 16 through 29, the Budgetary Comparison Schedules on pages 66 through 71; the Information About Infrastructure Assets Reported Using the Modified Approach on page 72; and the Schedules of Funding Progress on page 62, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Nebraska's basic financial statements. The combining statements within the financial section as listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Lincoln, Nebraska
December 28, 2007

 c p A
Assistant Deputy Auditor

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the State of Nebraska provides the following discussion and analysis of the State of Nebraska's financial performance, as reflected in the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. Please read it in conjunction with the additional information furnished in the letter of transmittal at the front of this report, and with the State's basic financial statements, which follow. Numerical years refer to fiscal years with a June 30 year-end, unless otherwise noted.

There were no new standards in 2007 required by the Governmental Accounting Standards Board (GASB) to be implemented by the State of Nebraska (State).

A comparative analysis of government-wide data for the last two years is presented in this analysis. Additionally, we are presenting an analysis of activity in the State's funds for the fiscal year ended June 30, 2007 along with an analysis of the State's capital assets and long-term debt related to capital assets.

FINANCIAL HIGHLIGHTS

Government-Wide:

The assets of the State exceeded its liabilities at June 30, 2007 by \$10.5 billion (presented as "net assets" in the CAFR). The majority of the net assets are represented by the investment in the State's infrastructure and other capital assets, which cannot be used to fund ongoing activities of the State. Of the net assets, unrestricted net assets were reported as \$998 million, most of which is available to be used to fund future needs of the State. The primary government's net revenues exceeded net expenses for 2007 by \$688 million resulting in the increase in net assets. The increase in net assets was primarily a result of a \$165 million increase in investment earnings and a steady economy providing a moderate increase in taxes collected coupled with a less than budgeted increase of expenditures from 2006.

Fund Level:

General Fund receipts for 2007 were \$191 million above the original budgeted amount and above the final budget by \$47 million. Expenditures were \$205 million less than the original budget. On a Generally Accepted Accounting Principles (GAAP) basis, the General Fund had \$285 million in excess revenues prior to \$6 million in other financing uses resulting in an ending fund balance on June 30, 2007 of \$972 million. Other governmental funds receipts exceeded expenditures by \$169 million; in addition, such funds received \$35 million in other financing sources (namely net transfers in) increasing such fund balances at June 30, 2007 to \$1,842 million.

The \$320 million of net assets of the Unemployment Insurance Fund represents eighty-nine percent of the proprietary funds. Such fund had a \$47 million increase in net assets for 2007 compared to a \$62 million increase in 2006, a \$15 million smaller increase. This was chiefly due to a \$27 million decrease in business assessment fees collected from employers (due to a lower rate being charged), offset by an \$8 million decrease in unemployment claims and a \$5 million increase in investment income.

Long-term Liabilities:

Long-term liabilities shown on the government-wide financial statements totaled \$499 million at June 30, 2007, which is a slight decrease from the prior year. Most of these liabilities consist of claims payable for workers' compensation, medical excess liability, litigation, unemployment insurance, employee health insurance, and Medicaid, in addition to the calculated amount for accrued vacation and vested sick leave due employees when they retire. After a retired employee reaches the age of 65, the State has no further obligation for other post employment benefits.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State's financial statements. The State's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This CAFR also contains other supplementary information (e.g., budgetary schedules and combining financial statements) in addition to the basic financial statements. These components are described below:

Government-Wide Financial Statements

These statements provide a broad view of the State's operations in a manner similar to the private sector, providing both a short-term and a long-term view of the State's financial position. The statements are prepared using the accrual basis of accounting. This means all revenues and expenses related to the fiscal year are recorded in the statements, even if cash has not been received or paid. If taxes are owed to the State but not yet received, such transaction is recorded as an asset (a receivable) and revenue to the State. Likewise, if the State owes for vacation time, but has not yet paid the worker for such vacation earned, then the liability and payroll expense is recorded. The government-wide financial statements include two statements, the Statement of Net Assets and the Statement of Activities.

The *Statement of Net Assets* (page 33) presents all the State's assets and liabilities with the difference between the two reported as "Net Assets." Changes in net assets over time may indicate the relative health of the State and this statement will assist users in assessing whether or not the State's financial position is improving or deteriorating.

The *Statement of Activities* (pages 34 and 35) presents information showing how the State's net assets changed during the reported year. All changes in net assets are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows, using the accrual basis of accounting discussed earlier.

Both of these statements have separate sections for three different types of State programs or activities. These sections are Governmental Activities, Business-type Activities, and Discretely Presented Component Units. Governmental Activities and Business-type Activities are combined to report on what is termed Primary Government activities, which is separate and distinct from the activity of the component units. Fiduciary Funds, which include the Pension Funds, are not included in the Government-wide Financial Statements.

Primary Government

GOVERNMENTAL ACTIVITIES – Activities in this section are mostly supported by taxes and federal grants. All General Fund activity is included here. Governmental activities represent over 96% of all activity of the primary government. It includes general government; education; health and human services; public safety; transportation; regulatory services; and economic development and assistance.

BUSINESS-TYPE ACTIVITIES – Functions reported in this section include those activities whereby the State charges fees and other charges to external users of the State’s services and purchasers of State’s goods in order to recover all or a significant portion of the State’s operating costs related to these activities, much like a private business. Such activities are unemployment insurance services, lottery tickets, premium surcharges for excess liability coverage, and the sales and services provided by Cornhusker State Industries.

Component Units

DISCRETELY PRESENTED COMPONENT UNITS – These are separate organizations for which the State has financial accountability but such organizations have independent qualities as well. The University of Nebraska and the Nebraska State College System are the State’s only two discretely presented component units. While presented in this report, each of these two units has separate audited financial statements and such audited reports can be obtained from their respective administrative offices.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

This is the second set of financial statements presented in the CAFR. These statements are different from the government-wide statements in that some of these statements use a different accounting approach and focus on the near-term inflows and outflows of the State’s operations. As previously noted, these Statements are commonly referred to as GAAP Fund Statements, as they are prepared in accordance with generally accepted accounting principles. The Fund Financial Statements (which begin on page 36) provide detailed information about the State’s major funds. A fund is a method of accounting that uses a set of accounts to maintain accountability and control over specific sources of funding and spending for a particular activity or objective. The State’s funds are divided into three categories – Governmental Funds, Proprietary Funds and Fiduciary Funds. It is important to note that each of these three fund categories use different accounting approaches and should be analyzed differently.

Governmental Funds Financial Statements – Most of the basic services provided by the State are reported in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, the Governmental Funds Financial Statements use modified accrual accounting, which limits assets to cash and all other financial assets that can readily be converted into cash. This is different from the governmental activities recorded in the government-wide financial statements that use full accrual accounting. These fund statements provide a detailed short-term view of the State’s finances that assist the reader in determining whether or not there will be adequate financial resources to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader can better understand the long-term impact of the State’s near-term financing decisions. To aid the reader in such analysis, reconciliations are provided between the Government-wide Financial Statements and the Governmental Funds Financial Statements (see pages 37 and 39).

The State of Nebraska’s governmental funds include five major funds: the General Fund, the Highway Fund, the Federal Fund, the Health and Social Services Fund and the Permanent School Fund. Non-major special revenue, capital project and other permanent funds are also included in the governmental funds.

Proprietary Funds Financial Statements – These funds are used to show activities that operate more like those of commercial enterprises. Thus, when the State charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds consist of both Enterprise Funds (services provided to outside customers) and Internal Service Funds (services provided to other State agencies). Proprietary funds utilize accrual accounting, the same method used by private businesses. Therefore, the net assets reported in these statements as Enterprise Funds will be identical to the net assets reported in the net assets for business-type activities in the Government-wide Financial Statements. However, because the Internal Service Funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the Government-wide Financial Statements.

Fiduciary Funds Financial Statements – Whenever the State receives funds on behalf of others, it is acting in a fiduciary capacity or trustee of those funds belonging to others. Thus, assets in these funds are restricted as to use and do not represent discretionary assets that the State could use to finance its operations. They are presented in these statements only for the purpose to indicate that the State has responsibility for these assets. For that reason, such assets are not included in the government-wide financial statements. Fiduciary funds are reported on the accrual basis of accounting.

The State's principal fiduciary fund is the Pension Fund, which contains retirement contributions held by the State for state employees, county employees and public school employees (see Note 11 to the financial statements). There are also Private-Purpose Trust Funds whereby the State has control of unclaimed property and funds held for inmates and clients or wards of the State. The State also has Agency Funds whereby the State holds funds earmarked as aid for other political subdivisions.

Component Units Financial Statements

As mentioned in the discussion of the Government-wide Financial Statements, the State has included the net assets and activities of the University of Nebraska and the Nebraska State College System in a single column of such statements, labeling them as discretely presented component units. We have provided separate, but brief, component unit statements to allow the reader to analyze each of these two units separately.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in all of the basic financial statements. The notes can be found immediately following the component units' financial statements beginning on page 48.

Required Supplementary Information

Following the basic financial statements, and the accompanying notes thereto, is additional Required Supplementary Information that further explains and supports the information in such financial statements. The required supplementary information includes budgetary comparison schedules reconciling statutory fund balances used for budgetary purposes to the fund balances determined by GAAP used in the Fund Financial Statements for the General Fund, Cash Funds, Construction Funds, Federal Funds, and Revolving Funds. Other information included is the condition and maintenance data regarding certain aspects of the State's infrastructure.

Other Supplementary Information

Other supplementary information includes the combining statements for non-major governmental, proprietary and fiduciary funds. These funds are summarized by fund type and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the Governmental Fund Financial Statements. Also presented is a statistical section providing State data.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets

The State's assets totaled \$12,285 million at June 30, 2007 as compared to \$11,550 at June 30, 2006. As total liabilities only totaled \$1,769 million, net assets amounted to \$10,516 million as of June 30, 2007. As of June 30, 2006, these amounts were \$1,722 million and \$9,828 million, respectively. By far the largest portion of the State of Nebraska's net assets (71 percent) reflects the State's investment in capital assets (e.g., land, buildings, equipment and infrastructure – highways, bridges, dams, etc.). The State uses these capital assets to provide services to citizens; thus, these assets are not available for future spending.

Restricted net assets are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. They also are not available for future spending.

For Governmental Activities other than capital assets, the majority of the restricted net assets consist of the Permanent School Trust, the Tobacco Settlement Trust, the Intergovernmental Trust and the loans to political subdivisions for drinking water and clean water projects.

The net assets for business-type activities represents chiefly cash set aside for future unemployment insurance benefits.

STATE OF NEBRASKA Net Assets as of June 30 (in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and Other						
Non-current Assets	\$ 4,375	\$ 3,848	\$ 440	\$ 386	\$ 4,815	\$ 4,234
Capital Assets	7,464	7,310	6	6	7,470	7,316
Total Assets	11,839	11,158	446	392	12,285	11,550
Non-current Liabilities	447	456	52	53	499	509
Other Liabilities	1,234	1,185	36	28	1,270	1,213
Total Liabilities	1,681	1,641	88	81	1,769	1,722
Net assets:						
Invested in Capital Assets, Net of Related Debt	7,428	7,269	6	6	7,434	7,275
Restricted	1,763	1,567	321	275	2,084	1,842
Unrestricted	967	681	31	30	998	711
Total Net Assets	\$ 10,158	\$ 9,517	\$ 358	\$ 311	\$ 10,516	\$ 9,828

Over 79% of the State's non-capital assets consist of cash and investments. It should be noted that \$512 million in 2007 and \$556 million in 2006 of such assets represent "Securities Lending Collateral," an amount created by a journal entry required by GASB in order to record a lending transaction. Since the asset is offset by a corresponding equal liability, the net asset is zero and thus the asset cannot be spent. (For more detail, see Note 2 to the financial statements.) Receivables, chiefly from taxes and the federal government, represent 20% of the non-capital assets.

Liabilities largely reflect three groupings which represent 91% of total State liabilities, not including the obligations under securities lending explained in the above paragraph. These are operational payables, which consist of accounts payables and accrued liabilities of \$344 million (\$305 million in 2006); tax refunds payable of \$299 million (\$281 million in 2006); and long-term payables explained below.

Since the State's Constitution generally prohibits the State from incurring debt, the Statement of Net Assets presents few long-term liabilities (shown as noncurrent liabilities), which total only \$499 million (\$509 million in 2006). The majority of such liabilities are for claims payable for workers' compensation, medical excess liability, litigation, unemployment insurance, and employee health insurance totaling \$138 million for 2007 (\$140 million for 2006), Medicaid claims for \$192 million (\$197 million in 2006) and the calculated amount for vested sick leave due employees when they retire and accrued vacation of \$118 million in 2007 (\$113 million for 2006). Other minor amounts of long-term liabilities consist chiefly of capital lease obligations (See Note 8 to the Financial Statements), and bonds payable related to NETC Leasing Corporation and Nebraska State Building Corporation bonds (See Note 7 to the Financial Statements). Both of these entities are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State (See Note 1.B. to the Financial Statements). Such debt related to capital assets totaled \$37 million at June 30, 2007. There was also \$14 million of obligations under other financing arrangements (See Note 9 to the Financial Statements).

The change in net assets of Governmental Activities, other than an increase of \$159 million in capital assets, was due to the \$287 million increase in unrestricted net assets and the \$196 million increase in restricted net assets. This was the result of increased taxes collected, a significant jump in investment income and lower spending than expected.

At the end of June 30, 2007, the State is able to report positive balances in all of the three categories of net assets.

Changes in Net Assets

The condensed financial information on the following page was derived from the Government-wide Statement of Activities and reflects how the State's net assets changed during the year. Following that table is management's analysis of the changes in net assets for 2007, analyzing both the governmental activities and the business-type activities.

STATE OF NEBRASKA
CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
REVENUES						
Program Revenues						
Charges for Services	\$ 516	\$ 492	\$ 263	\$ 291	\$ 779	\$ 783
Operating Grants and Contributions	2,218	2,152	-	-	2,218	2,152
Capital Grants and Contributions	8	4	-	-	8	4
General Revenues						
Taxes	3,871	3,777	-	-	3,871	3,777
Unrestricted Investment Earnings	250	93	18	10	268	103
Miscellaneous	1	-	-	-	1	-
Total Revenues	6,864	6,518	281	301	7,145	6,819
EXPENSES						
General Government	355	309	-	-	355	309
Conservation of Natural Resources	119	100	-	-	119	100
Culture - Recreation	27	27	-	-	27	27
Economic Development and Assistance	89	87	-	-	89	87
Education	1,369	1,318	-	-	1,369	1,318
Higher Education - Colleges and Universities	529	482	-	-	529	482
Health and Social Services	2,650	2,594	-	-	2,650	2,594
Public Safety	360	289	-	-	360	289
Regulation of Business and Professions	156	152	-	-	156	152
Transportation	615	697	-	-	615	697
Interest on Long-term Debt	2	3	-	-	2	3
Unemployment Insurance	-	-	94	101	94	101
Lottery	-	-	86	83	86	83
Excess Liability	-	-	14	12	14	12
Cornhusker State Industries	-	-	11	11	11	11
Total Expenses	6,271	6,058	205	207	6,476	6,265
Excess (deficiency) Before Transfers and Contributions to Permanent Fund Principal	593	460	76	94	669	554
Transfers	29	28	(29)	(28)	-	-
Contributions to Permanent Fund Principal	19	15	-	-	19	15
Increase (Decrease) in Net Assets	641	503	47	66	688	569
Net Assets - Beginning	9,517	9,014	311	245	9,828	9,259
Net Assets - Ending	\$ 10,158	\$ 9,517	\$ 358	\$ 311	\$ 10,516	\$ 9,828

Governmental Activities

Governmental activities increased the State's net assets by \$641 million in 2007 (\$503 million in 2006). Furthermore, governmental activities represent 96% of all the primary government's revenues. Program revenues of governmental activities were \$2,742 million and were used to partially offset program expenses of \$6,271 million, leaving net expenses of \$3,529 million. Only 6% of total expenses were spent on general government expenses. General taxes, investment earnings, contributions to the permanent fund principal and transfers all totaling \$4,170 million were used to more than cover the remaining costs of the governmental activities' programs as shown below.

Program revenues only increased 3% from 2006. Tax revenues were up \$94 million, which was a little short of offsetting the increase in program expenditures, net of revenues. However, investment earnings increased \$157 million, as opposed to a \$25 million decrease in 2006. This increase in investment earnings was the result of more funds being invested at higher interest rates and large, positive market value increases. These two revenue items were the chief reasons net assets increased \$138 million more than in 2006.

Program expenditures, net of revenue, increased by \$119 million in 2007, as shown by the following table:

GOVERNMENTAL ACTIVITIES (in millions of dollars)

Program Expenditures, Net of Revenue	2007	2006
General Government	\$ (254)	\$ (203)
Conservation of Natural Resources	(38)	(24)
Culture - Recreation	(7)	(8)
Economic Development and Assistance	(30)	(23)
Education	(1,043)	(1,027)
Higher Education - Colleges and University	(529)	(482)
Health and Social Services	(1,101)	(1,063)
Public Safety	(214)	(195)
Regulation of Business and Professions	(35)	(37)
Transportation	(276)	(345)
Interest on Long-Term Debt	(2)	(3)
Subtotal	(3,529)	(3,410)
General Revenues		
Taxes	3,871	3,777
Unrestricted Investment Earnings	250	93
Miscellaneous	1	-
Transfers	29	28
Contributions to Permanent Fund Principal	19	15
Increase (Decrease) in Net Assets	\$ 641	\$ 503

Four functional areas of the State comprise 82% of the expenses of all Governmental Activities: Education, Higher Education, Health and Social Services and Transportation. The first three areas comprise 76% of the increase in program expenditures, net of revenue. Education expenditures were up \$51 million chiefly due to planned budgetary increases providing more school aid to the K-12 school systems in Nebraska. Health and Social Services was up \$56 million because of increased aid for

Medicaid and other aid programs. Higher Education was up as the appropriation to the University of Nebraska was increased \$47 million. Transportation net expenses were down \$69 million due to less projects being worked on due to lower federal funds available and anticipation of future reduced federal funding.

Business-type Activities

The business-type activities increased the State's net assets by \$47 million for 2007, which was net of a \$29 million transfer to the governmental activities. Most of the \$263 million of business-type activities' program revenues was related to the business assessment fees in the Unemployment Insurance Fund and Lottery Fund revenues. The Unemployment Insurance Fund had operating income of \$33 million in 2007. This income, when combined with the \$14 million in investment income, produced \$47 million of net revenue. Lottery revenues of \$114 million generated net revenue of \$29 million, which was offset by the \$29 million transfer to the Governmental Activities. The lottery transfer was used primarily for education and environmental studies.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the State's Governmental Funds is to provide information on near-term inflows and outflows and the availability of spendable resources. In particular, the unreserved balance may provide some indication of the State's net resources available for spending at the end of the fiscal year. (Unreserved balances may be designated or undesignated. If unreserved balances are designated, they are unreserved only within the confines of the purposes of the fund involved. In the Governmental Funds, most of the unreserved balances reside in designated funds.) At June 30, 2007, the State's Governmental Funds reported combined ending fund balances of \$2,813 million. The total unreserved balances amounted to \$2,153 million.

General Fund

The General Fund is the chief operating fund of the State. The major General Fund liability is the estimated tax refunds payable of \$291 million. Such refunds payable are \$11 million less than the expected taxes owed the State. Other assets of the General Fund available to pay non tax-refund liabilities exceed such liabilities by \$961 million.

On June 30, 2006, the General Fund had a positive fund balance of \$692 million. While both revenues and expenditures increased in 2007, revenues again exceeded expenditures which increased the fund balance \$285 million in 2007, which was about equal to the \$289 million increase that occurred in 2006. This operating increase in 2007, when coupled with the \$6 million of net transfers out, caused the General Fund balance to increase by \$279 million, ending with a fund balance of \$972 million.

Revenues in 2007 were more than anticipated and were up \$131 million over 2006 chiefly due to (1) an increase in income tax revenue of \$58 million (a 3% increase) over 2006 and (2) increased investment income of \$57 million due to more funds being invested at higher interest rates. Sales taxes from increased retail sales were up 1.5% over last year. Expenditures were less than budgeted due to continued efforts by agency heads to be conservative in spending.

To compensate for any downturns in revenues, the State has maintained a budgetary basis Cash Reserve Fund. While this Cash Reserve Fund is commingled with General fund cash in the General Fund financial statements, it is separate and distinct in that, by State Statute, it can only be used (1) when the cash balance of the General Fund is insufficient to meet General Fund current obligations and (2) for legislatively mandated transfers to other funds. Any money transferred in accordance with item one above must be repaid as soon as there is sufficient cash in the General Fund cash account to do so. No such need existed in 2007. The Cash Reserve Fund was at \$177 million at the beginning of 2006. Due to the fact that 2005 revenues exceeded the forecast, a statutory requirement caused a \$262 million transfer from the General Fund cash account to the Cash Reserve Fund in fiscal year 2006 in July 2005. Offsetting this large transfer was a \$146 million payment made on August 1, 2005 from the Cash Reserve Fund to settle a lawsuit against the State related to a low-level radioactive waste site. There were also other transfers out of the Fund of \$19 million, leaving a Cash Reserve Fund balance at June 30, 2006 of \$274 million. The statutory transfer for excess receipts for FY 2006 of \$260 million was made in July, 2006. There were transfers out of the reserve of \$18 million, leaving a balance of \$516 million at June 30, 2007.

Other Governmental Funds

Other governmental fund balances totaled \$1,842 million at June 30, 2007; \$660 million of such fund balances is reserved to indicate that such dollars are not available for new spending because such funds (1) are represented by endowment principal (\$406 million), (2) are represented by an asset that has not yet been received, e.g., loans receivable (\$237 million), (3) have been expended for other assets, chiefly inventories (\$8 million) and thus the funds are not available, or (4) have been committed for debt service (\$9 million).

Of the non-General Fund unreserved fund balances of \$1,182 million, \$88 million represents permanent school funds which can be used only for support of public schools. \$1,014 million is represented by special revenue funds which while unreserved, normally must be spent within the confines of such special revenue funds (a majority of these same funds are considered “restricted” on the government-wide financial statements). Twenty-eight million dollars is represented by other permanent funds, which again normally must be spent within the confines of the fund. Fifty-two million dollars is in the Capital Projects Fund, which, while unreserved, must be spent on a capital projects.

The three major funds presented as special revenue funds are the Highway Fund, the Federal Fund and the Health and Social Services Fund, with total fund balances of \$667 million. Of this balance, \$656 million is classified as unreserved, but which are restricted in the government-wide statements, indicating that the funds are unreserved only within the confines of such funds.

Governmental funds other than the General Fund saw an increase in fund balances of \$204 million. The fund balances of the following funds increased: the Highway Fund (\$56 million), the Health and Social Service Fund (\$72 million), the Permanent School Fund (\$53 million) and other Nonmajor Funds (\$33 million). The Federal Fund decreased by \$10 million.

The Highway Fund had an \$11 million decrease in federal funds. However, increases in other revenues, namely taxes (\$24 million) and investment income (\$6 million), and a significant decrease in operating expenses of \$75 million were the major reasons the Highway Fund had a \$56 million increase in fund balance in 2007 as opposed to a \$41 million decrease in 2006.

The Federal Fund received \$82 million more in federal grants and contracts, a 4% increase from 2006. Such increased revenues allowed for increased expenditures in accordance with the terms of the grants and contracts of \$101 million. This \$19 million in increased net spending was somewhat offset by other items, namely an increase in charges for services of \$6 million and an increase in investment income of

\$4 million so that at the end of 2007 there was a net decrease in the fund of \$10 million, compared to a \$5 million decrease in 2006.

The Health and Social Services Fund consists of the Intergovernmental Trust Fund and the Tobacco Settlement Trust Fund, in addition to various cash funds. Such cash funds receive transfers from such trust funds, income from charges for services, and some tax revenue, among other income. All funds had an increase in investment income in 2007 of \$33 million (mostly due to the increase in interest rates) , and when coupled with a \$4 million increase of miscellaneous receipts (including a \$2 million increase in tobacco settlement funds) partially offset the \$5 million reduction in charges for services and a \$7 million reduction in Intergovernmental Trust receipts. The increased revenues of \$26 million, when coupled with a \$5 million decrease in expenditures, resulted in a \$31 million larger increase in net revenues when compared to 2006. In the year 2006 the fund balance was increased \$41 million, whereas in 2007 the fund balance was increased by \$72 million.

The Permanent School Funds had a \$36 million increase in revenue, chiefly due to a \$33 million increase in investment income, and when combined with a \$12 million increase in expenditures, caused the fund balance to increase \$53 million in 2007 in comparison with a \$29 million increase in 2006.

The Nonmajor Funds revenues increased \$49 million from 2006 to 2007, chiefly due to increases in investment earnings (\$24 million) licenses, fees and permits (\$14 million) and charges for services (\$7 million). Expenditures also increased, but only by \$18 million during 2007, mainly due to an increase in spending on capital projects for higher education (\$13 million). Thus, net revenues increased \$31 million, which was offset somewhat by a decrease in net transfers of \$13 million (in 2006 there was a one-time \$15 million transfer from the General Fund to Economic Development). The resulting \$18 million increase in 2007 was larger than the \$15 million increase in 2006, resulting in a 2007 fund balance increase of \$33 million.

Proprietary Funds

The State's proprietary funds provide the same type of information discussed earlier in the government-wide financial statements under Business-type Activities, but in more detail. The State's one major proprietary fund, the Unemployment Insurance Fund, had reported net assets of \$320 million at the end of 2007. This fund's net assets increased \$47 million in 2007, mainly due to business assessment fees which exceeded the unemployment claims paid out by \$33 million (which in effect helped rebuild the cash reserves of the fund) and investment earnings of \$14 million. Other proprietary or enterprise funds, the Lottery Fund, the Excess Liability Fund (this fund was established to provide limited liability for physicians working in Nebraska) and Cornhusker State Industries (this operation utilizes incarcerated persons to manufacture and sell items) had combined income of \$29 million prior to a \$29 million transfer from the Lottery to governmental funds. Such transfer was used primarily for education and environmental studies.

Fiduciary Funds

The Pension Trust Funds represent the majority of the fiduciary funds. Such Pension Trust Funds net assets increased \$1,320 million to \$9,102 million in 2007 due primarily to a strong market in 2007, which provided \$1,185 million in appreciation of investments. Investment income in 2007 was \$147 million versus \$141 million in 2006. Benefits, refunds and related administrative expenses exceeded the contributions to the plans by only \$1 million. In another trust fund, \$435 million of participant contributions was received by the College Savings Plan and is recorded in the Private Purpose Trust Funds. Total net assets in the College Savings Plan now total \$1,643 million.

ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

In 2007, the State continued to benefit from of an improved economy in the Midwest. Forecasted revenues, upon which the State's budgeted General Fund expenses were based, were anticipated to be basically flat in 2007 due to some changes in the sales tax base. Because the revenues continued to exceed expectations, the State's Forecasting Board made three new forecasts throughout the year, each time increasing the expected revenues. The total forecasted net revenues increased \$144 million from the original revenue forecast of \$3,106 million. However, the State even slightly exceeded the revised projected tax revenues of \$3,250 million by \$47 million, realizing actual tax revenues, net of refunds, of \$3,297 million on a budgetary basis. Additionally, agencies continued to watch their General Fund expenditures and ended spending \$193 million less than the final appropriated amount. This reduction, when coupled with the increased tax revenues, allowed the State to finish 2007 with \$274 million of General Fund revenues in excess of expenditures on a budgetary basis, prior to net transfers out.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2007, the State had invested \$7.5 billion, net of accumulated depreciation, in capital assets as reported in the Statement of Net Assets and summarized in the table below. Depreciation expense for 2007 totaled \$40 million, compared to \$47 million for 2006.

CAPITAL ASSETS AS OF JUNE 30 (net of depreciation in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Land	\$ 519	\$ 508	\$ -	\$ -	\$ 519	\$ 508
Buildings and Equipment	344	348	6	6	350	354
Infrastructure	6,525	6,395	-	-	6,525	6,395
Subtotal	7,388	7,251	6	6	7,394	7,257
Construction in Progress	76	59	-	-	76	59
Total	\$ 7,464	\$ 7,310	\$ 6	\$ 6	\$ 7,470	\$ 7,316

Infrastructure (roads, bridges, dams, etc.) is by far the largest group of assets owned by the State. GASB Statement No. 34 requires the State to select one of two methods to account for its infrastructure assets. One process is to record depreciation expense on selected infrastructure assets. The State has adopted an alternative process, referred to as the modified approach. Under this alternative method, the State expenses certain maintenance and preservation costs and does not record any depreciation expense. Assets accounted for under the modified approach include approximately 10,000 miles of roads that the State is responsible to maintain.

In assessing the condition of State roads, the State's goal is to maintain at least an overall system rating of 72 or above using the Nebraska Serviceability Index. The most recent condition assessment, completed for calendar year 2006, indicated an overall system rating of 83, a rating that has been very consistent over the past six years.

For 2007, it was estimated that the State needed to spend \$148 million to preserve and maintain the roads at the abovementioned level. The State actually spent \$167 million on roads in 2007, compared to \$214 million in 2006. For 2008, it is estimated that the State needs to spend \$155 million, a slight reduction from 2007 and considerably less than the previous three years. However, past history (page 72) indicates the State typically spends more than estimated.

The State also spent \$145 million on capitalized infrastructure and land purchases in 2007 (\$147 million in 2006), most notably reconstructing (a) Highway 6 in Omaha, (b) Interstate 80 between Omaha and Lincoln, (c) Highway 50 around Springfield, and (d) Highway 275 around Waterloo. Major land purchases included areas south of Omaha, in east Lincoln and land purchased for the new Yankton bridge. At June 30, 2007, the State had contractual commitments of \$453 million for various highway and building projects. Most of the related expenditures will be expensed and not capitalized. (See Notes 1.J and 3 to the financial statements.)

During 2007, the State added \$38 million of new depreciable capital assets, namely new equipment. An additional \$35 million of governmental funds were spent on capital projects in 2007 compared to \$23 million in 2006. Major spending on capital projects included debt service payments for certain educational facilities and the Capitol renovation project. The State's General Fund capital outlay budget provides authority to spend \$8 million on capital projects in 2008, in addition to the \$4 million of unspent capital outlay authorizations that existed on June 30, 2007.

Long-Term Debt

Long-term debt related to capital assets is minimal for reasons previously stated. For further detail and analysis of long-term debt, see Notes 7 and 8 to the financial statements.

CERTAIN LONG-TERM DEBT AS OF JUNE 30 (in millions of dollars)

	GOVERNMENTAL ACTIVITIES	
	2007	2006
<u>Bonds Payable:</u>		
Nebraska State Building Corporation	\$ 1	\$ 2
NETC Leasing Corp	14	17
	<u>15</u>	<u>19</u>
 <u>Capitalized Leases:</u>		
	<u>\$ 22</u>	<u>\$ 23</u>

There were no new bonds issued in 2007 or 2006. There was only one capitalized lease added in 2007 (three leases were added in 2006). Bonds and Certificates of Participation for leases issued on behalf of the State maintain an AA rating from Standard and Poors and an Aa3 rating from Moody's. Standard and Poor's has issued an AA+ rating for the State as a whole.

FACTORS THAT WILL AFFECT THE FUTURE

Nebraska's economy has continued with steady growth, with no large upswings anticipated. How the State reacts to increased pressure to continue the recent annual increases in Medicaid spending is critical to the future cash position of the State. In 2008, Medicaid aid is projected to increase only \$18 million, which is considerably less than in past years. This increase, when added to the appropriated increase in aid to education for K-12 schools and special education of \$57 million, represents almost two-thirds of the appropriated increase in General Fund aid of \$115 million for 2008. Net General Fund revenues for 2008 are currently projected to only exceed 2007 revenues by \$50 million, as some recent tax legislation has reduced the expected tax revenues which will tend to offset normal inflationary increases in tax revenues. As a result, the current 2008 budget, after including all planned transfers out, anticipates only a \$16 million increase in the General Fund balance, which will be considerably less than the \$279 million increase in 2007.

One of the reasons aid to education is forecasted to increase is the result of legislation that provides General Fund support for the maintenance, repair and renovation of buildings and facility replacement construction on the campuses of the University and state colleges. The State will spend \$6.625 million annually from July 1, 2007 through June 30, 2009 and then \$12.125 million annually from July 1, 2009 through June 30, 2020, for a total of \$146.625 million. Both the University and the state colleges have secured debt financing for such repairs, renovation and construction, and these State funds will be used for debt service on the bonds which will be paid off in 2020.

To help offset any future economic downturns, as previously explained, the State maintains a Cash Reserve Fund. As of June 30, 2007, this Fund had a \$516 million balance. One hundred ninety-one million was transferred from the General Fund in July 2007 to the Cash Reserve Fund as statutorily required. From the Cash Reserve Fund there were \$93 million of other statutory disbursements in July 2007, resulting in a balance of \$614 million at July 31, 2007. Future significant statutory disbursements from this fund in the next two years include \$123 million to be transferred to the General Fund, \$10 million to be transferred to the Job Training Fund and \$10 million transferred to the Nebraska Capital Construction Fund.

CONTACTING THE STATE ACCOUNTING OFFICE

This report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional information, contact the State Accounting Division of Administrative Services, Suite 1309 State Capitol, Lincoln, NE 68509-4664, (402) 471-2581.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component units. For the University of Nebraska, contact the University of Nebraska, Director of University Accounting, 209 Varner Hall, 3835 Holdrege, Lincoln, NE 68583, (402) 472-2191. For the State College System, contact the Nebraska State College System, Fiscal and Facilities Management, 11th Floor State Capitol, Lincoln, NE 68509-4605, (402) 471-2505.



BASIC FINANCIAL STATEMENTS





State of Nebraska
STATEMENT OF NET ASSETS
June 30, 2007

(Dollars in Thousands)

(Dollars in Thousands)	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
ASSETS				
Cash and Cash Equivalents	\$ 151,498	\$ 299,976	\$ 451,474	\$ 271,189
Receivables, net of allowance				
Taxes	348,051	-	348,051	-
Due from Federal Government	257,624	-	257,624	-
Other	96,713	38,928	135,641	218,725
Internal Balances	(502)	502	-	-
Due from Primary Government	-	-	-	896
Investments	2,744,157	86,592	2,830,749	1,787,610
Loans Receivable	237,299	-	237,299	38,319
Investment in Joint Venture	-	-	-	208,965
Other Assets	18,860	2,031	20,891	37,305
Restricted Assets:				
Cash and Cash Equivalents	19,197	-	19,197	298,862
Other	-	1,599	1,599	1,474
Securities Lending Collateral	502,263	10,043	512,306	-
Capital assets:				
Land	518,781	315	519,096	58,600
Infrastructure	6,525,148	-	6,525,148	-
Construction in Progress	76,182	-	76,182	90,839
Land Improvements	-	-	-	128,120
Buildings and Equipment	813,420	10,498	823,918	1,638,409
Less Accumulated Depreciation	(469,100)	(4,735)	(473,835)	(640,943)
Total Capital Assets, net of depreciation	<u>7,464,431</u>	<u>6,078</u>	<u>7,470,509</u>	<u>1,275,025</u>
Total Assets	<u>\$ 11,839,591</u>	<u>\$ 445,749</u>	<u>\$ 12,285,340</u>	<u>\$ 4,138,370</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 322,948	\$ 20,724	\$ 343,672	\$ 143,580
Tax Refunds Payable	298,899	-	298,899	-
Due to Other Governments	62,042	-	62,042	-
Deposits	10,015	-	10,015	12,435
Due to Component Units	896	-	896	-
Unearned Revenue	36,300	5,280	41,580	86,573
Obligations under Securities Lending	502,263	10,043	512,306	-
Noncurrent Liabilities:				
Due within one year	236,170	21,064	257,234	85,504
Due in more than one year	211,562	30,460	242,022	541,341
Total Liabilities	<u>\$ 1,681,095</u>	<u>\$ 87,571</u>	<u>\$ 1,768,666</u>	<u>\$ 869,433</u>
NET ASSETS				
Invested in Capital Assets, net of related debt	\$ 7,428,729	\$ 5,763	\$ 7,434,492	\$ 841,892
Restricted for:				
Education	14,012	-	14,012	1,434,522
Health and Social Services	525,696	-	525,696	-
Conservation of Natural Resources	348,736	-	348,736	-
Transportation	164,164	-	164,164	-
Licensing and Regulation	57,331	-	57,331	-
Other Purposes	123,099	1,599	124,698	267,607
Unemployment Insurance Benefits	-	319,797	319,797	-
Debt Service and Construction	8,397	-	8,397	172,680
Permanent Trusts:				
Nonexpendable	405,513	-	405,513	-
Expendable	115,901	-	115,901	-
Unrestricted	966,918	31,019	997,937	552,236
Total Net Assets	<u>\$ 10,158,496</u>	<u>\$ 358,178</u>	<u>\$ 10,516,674</u>	<u>\$ 3,268,937</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

(Dollars in Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
Governmental Activities:				
General Government	\$ 354,737	\$ 86,746	\$ 7,092	\$ 6,402
Conservation of Natural Resources	119,286	34,578	46,745	378
Culture – Recreation	27,031	16,823	3,509	-
Economic Development and Assistance	89,310	5,043	54,083	-
Education	1,369,110	26,180	300,313	76
Higher Education - Colleges and University	528,861	-	-	-
Health and Social Services	2,649,535	115,036	1,433,249	-
Public Safety	359,755	24,348	120,022	1,281
Regulation of Business and Professions	155,692	118,119	2,825	-
Transportation	614,919	89,358	249,693	-
Interest on Long-term Debt	2,337	-	-	-
Total governmental activities	6,270,573	516,231	2,217,531	8,137
Business-type activities:				
Unemployment Insurance	93,939	127,340	-	-
Lottery	85,895	114,489	-	-
Excess Liability	13,731	12,474	-	-
Cornhusker State Industries	11,690	9,341	-	-
Total business-type activities	205,255	263,644	-	-
Total Primary Government	\$ 6,475,828	\$ 779,875	\$ 2,217,531	\$ 8,137
COMPONENT UNITS:				
University of Nebraska	\$ 1,523,794	\$ 633,215	\$ 361,649	\$ -
State Colleges	83,382	27,564	9,645	1,354
Total Component Units	\$ 1,607,176	\$ 660,779	\$ 371,294	\$ 1,354

General revenues:
Income Taxes
Sales and Use Taxes
Petroleum Taxes
Excise Taxes
Business and Franchise Taxes
Other Taxes
Unrestricted Investment earnings
Miscellaneous
Payments from State of Nebraska
Contributions to Permanent Fund Principal
Transfers
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS**

PRIMARY GOVERNMENT			COMPONENT UNITS
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
\$ (254,497)	\$ -	\$ (254,497)	\$ -
(37,585)	-	(37,585)	-
(6,699)	-	(6,699)	-
(30,184)	-	(30,184)	-
(1,042,541)	-	(1,042,541)	-
(528,861)	-	(528,861)	-
(1,101,250)	-	(1,101,250)	-
(214,104)	-	(214,104)	-
(34,748)	-	(34,748)	-
(275,868)	-	(275,868)	-
(2,337)	-	(2,337)	-
(3,528,674)	-	(3,528,674)	-
-	33,401	33,401	-
-	28,594	28,594	-
-	(1,257)	(1,257)	-
-	(2,349)	(2,349)	-
-	58,389	58,389	-
(3,528,674)	58,389	(3,470,285)	-
-	-	-	(528,930)
-	-	-	(44,819)
-	-	-	(573,749)
1,859,467	-	1,859,467	-
1,441,743	-	1,441,743	-
326,795	-	326,795	-
137,525	-	137,525	-
68,771	-	68,771	-
36,832	-	36,832	-
250,175	18,308	268,483	103,956
730	-	730	228,701
-	-	-	528,861
18,800	-	18,800	-
29,266	(29,266)	-	-
4,170,104	(10,958)	4,159,146	861,518
641,430	47,431	688,861	287,769
9,517,066	310,747	9,827,813	2,981,168
<u>\$ 10,158,496</u>	<u>\$ 358,178</u>	<u>\$ 10,516,674</u>	<u>\$ 3,268,937</u>

State of Nebraska
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
ASSETS:							
Cash and Cash Equivalents	\$ 42,608	\$ 6,125	\$ 2,128	\$ 829	\$ 6,931	\$ 21,798	\$ 80,419
Cash on Deposit with Fiscal Agents	-	-	-	-	-	19,197	19,197
Investments	1,069,389	150,525	58,021	505,764	515,882	444,576	2,744,157
Securities Lending Collateral	264,741	37,264	15,334	53,681	30,026	101,217	502,263
Receivables, net of allowance							
Taxes	301,596	46,229	-	-	-	226	348,051
Due from Federal Government	-	25,017	232,067	-	-	540	257,624
Loans	6	-	2,748	709	-	233,836	237,299
Other	24,594	6,093	15,276	31,592	5,227	11,785	94,567
Due from Other Funds	90,057	625	892	4,901	19	4,359	100,853
Inventories	378	7,564	4,220	161	-	-	12,323
Prepaid Items	54	11	8	2	-	92	167
Other	4,276	-	-	-	-	844	5,120
TOTAL ASSETS	\$ 1,797,699	\$ 279,453	\$ 330,694	\$ 597,639	\$ 558,085	\$ 838,470	\$ 4,402,040
LIABILITIES AND FUND BALANCE							
LIABILITIES:							
Accounts Payable and Accrued Liabilities	\$ 78,180	\$ 57,985	\$ 67,801	\$ 7,657	\$ 50,009	\$ 25,461	\$ 287,093
Tax Refunds Payable	290,949	7,950	-	-	-	-	298,899
Due to Other Governments	19,222	12,797	29,869	-	-	154	62,042
Deposits	4,282	1,216	2,102	486	134	1,795	10,015
Due to Other Funds	51,601	6,236	91,611	10,847	22	9,796	170,113
Due to Component Units	896	-	-	-	-	-	896
Obligations under Securities Lending	264,741	37,264	15,334	53,681	30,026	101,217	502,263
Claims Payable	98,578	-	90,525	-	-	-	189,103
Deferred Revenue	17,607	-	28,074	18,657	4,022	-	68,360
TOTAL LIABILITIES	826,056	123,448	325,316	91,328	84,213	138,423	1,588,784
FUND BALANCES:							
Reserved for:							
Long-Term Receivables	6	-	2,748	709	-	233,836	237,299
Inventories and Prepaid Items	432	7,575	8	163	-	92	8,270
Debt Service	-	-	-	-	-	8,705	8,705
Endowment Principal	-	-	-	-	385,956	19,557	405,513
Unreserved, reported in:							
General Fund	971,205	-	-	-	-	-	971,205
Special Revenue Funds	-	148,430	2,622	505,439	-	358,088	1,014,579
Permanent Funds	-	-	-	-	87,916	27,985	115,901
Capital Projects Fund	-	-	-	-	-	51,784	51,784
TOTAL FUND BALANCES	971,643	156,005	5,378	506,311	473,872	700,047	2,813,256
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,797,699	\$ 279,453	\$ 330,694	\$ 597,639	\$ 558,085	\$ 838,470	\$ 4,402,040

The accompanying notes are an integral part of the financial statements.

State of Nebraska

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2007

(Dollars in Thousands)

Total fund balances for governmental funds

\$ 2,813,256

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	518,781	
Infrastructure	6,525,148	
Construction in progress	76,182	
Other capital assets	754,992	
Accumulated depreciation	<u>(432,733)</u>	7,442,370

Certain tax revenues and charges are earned but not available and therefore are deferred in the funds.

33,007

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.

53,995

Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(15,240)	
Accrued interest on bonds	(308)	
Capital leases	(14,258)	
Obligations under other financing arrangements	(13,805)	
Compensated absences	(113,495)	
Claims and judgments	<u>(27,026)</u>	<u>(184,132)</u>

Net assets of governmental activities

\$ 10,158,496

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended June 30, 2007

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
REVENUES:							
Income Taxes	\$ 1,856,987	\$ -	\$ -	\$ 3,725	\$ -	\$ -	\$ 1,860,712
Sales and Use Taxes	1,294,255	140,473	-	-	-	3,266	1,437,994
Petroleum Taxes	-	313,847	-	-	2,695	12,948	329,490
Excise Taxes	76,177	-	-	8,191	-	51,081	135,449
Business and Franchise Taxes	50,946	-	-	-	-	17,825	68,771
Other Taxes	28,740	2,887	-	-	-	5,205	36,832
Federal Grants and Contracts	204	232,879	1,955,670	1,060	-	35,855	2,225,668
Licenses, Fees and Permits	19,023	72,247	26	5,814	2,641	111,416	211,167
Charges for Services	2,878	13,528	15,489	28,653	-	31,822	92,370
Investment Income	70,360	7,050	4,726	68,388	58,292	37,937	246,753
Rents and Royalties	-	342	32	650	24,011	24,933	49,968
Surcharge	-	-	-	-	-	51,395	51,395
Other	3,275	5,558	1,166	66,142	13,855	32,557	122,553
TOTAL REVENUES	3,402,845	788,811	1,977,109	182,623	101,494	416,240	6,869,122
EXPENDITURES:							
Current:							
General Government	249,196	-	4,631	-	-	57,497	311,324
Conservation of Natural Resources	37,891	-	31,882	-	-	49,760	119,533
Culture – Recreation	5,353	-	3,279	-	-	17,618	26,250
Economic Development and Assistance	5,803	-	61,108	-	-	22,529	89,440
Education	1,009,875	-	301,064	-	48,680	6,711	1,366,330
Higher Education - Colleges and University	502,700	-	-	-	-	26,161	528,861
Health and Social Services	1,093,238	-	1,454,576	109,599	-	1,797	2,659,210
Public Safety	209,770	-	120,195	-	-	29,549	359,514
Regulation of Business and Professions	3,933	-	2,513	-	-	148,749	155,195
Transportation	18	742,509	-	-	-	21,380	763,907
Capital Projects	-	-	-	-	-	27,494	27,494
Debt Service:							
Principal	-	-	-	-	-	6,575	6,575
Interest	-	-	-	-	-	1,666	1,666
TOTAL EXPENDITURES	3,117,777	742,509	1,979,248	109,599	48,680	417,486	6,415,299
Excess of Revenues Over (Under) Expenditures	285,068	46,302	(2,139)	73,024	52,814	(1,246)	453,823
OTHER FINANCING SOURCES (USES):							
Transfers In	38,391	18,892	97	918	-	96,970	155,268
Transfers Out	(44,289)	(9,153)	(7,789)	(1,874)	-	(62,897)	(126,002)
Proceeds from Capital Leases	234	-	-	-	-	-	234
TOTAL OTHER FINANCING SOURCES (USES)	(5,664)	9,739	(7,692)	(956)	-	34,073	29,500
Net Change in Fund Balances	279,404	56,041	(9,831)	72,068	52,814	32,827	483,323
FUND BALANCES, JULY 1	692,239	99,964	15,209	434,243	421,058	667,220	2,329,933
FUND BALANCES, JUNE 30	\$ 971,643	\$ 156,005	\$ 5,378	\$ 506,311	\$ 473,872	\$ 700,047	\$ 2,813,256

The accompanying notes are an integral part of the financial statements.

State of Nebraska

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2007

(Dollars in Thousands)

Net change in fund balances—total governmental funds	\$	483,323
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported as expenditures in governmental funds. Sales of capital assets are reported as revenues. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay, net of gains or losses	185,258	
Depreciation expense	<u>(33,557)</u>	151,701

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability.	(234)
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Repayment of long-term debt and other financing arrangements is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year these amounts consisted of:

Bond principal retirement	4,195	
Other financing arrangement payments	2,380	
Capital lease payments	<u>3,944</u>	10,519

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.	(3,985)
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Because some revenues will not be collected in the next year, they are not considered available revenues and are deferred in the governmental funds. Unearned revenues increased by this amount this year.	2,535
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest	74	
Increase in compensated absences	(4,771)	
Decrease in claims and judgments	<u>2,268</u>	<u>(2,429)</u>

Change in net assets of governmental activities	\$	<u>641,430</u>
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The accompanying notes are an integral part of the financial statements.

State of Nebraska
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTALS	
ASSETS				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 267,716	\$ 32,260	\$ 299,976	\$ 71,748
Receivables, net of allowance	32,748	6,173	38,921	2,013
Due from Other Funds	-	690	690	55,208
Inventories	-	1,691	1,691	196
Prepaid Items	-	340	340	1,054
TOTAL CURRENT ASSETS	<u>300,464</u>	<u>41,154</u>	<u>341,618</u>	<u>130,219</u>
NONCURRENT ASSETS:				
Restricted Long-Term Deposits	-	1,599	1,599	-
Long-Term Investments	30,474	56,118	86,592	-
Securities Lending Collateral	7,544	2,499	10,043	-
Capital Assets:				
Land	-	315	315	-
Buildings and Equipment	809	9,689	10,498	58,428
Less Accumulated Depreciation	(575)	(4,160)	(4,735)	(36,367)
Total Capital Assets, net	<u>234</u>	<u>5,844</u>	<u>6,078</u>	<u>22,061</u>
TOTAL NONCURRENT ASSETS	<u>38,252</u>	<u>66,060</u>	<u>104,312</u>	<u>22,061</u>
TOTAL ASSETS	<u>\$ 338,716</u>	<u>\$ 107,214</u>	<u>\$ 445,930</u>	<u>\$ 152,280</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 2,438	\$ 18,286	\$ 20,724	\$ 16,545
Due to Other Funds	2	179	181	5,988
Capital Lease Obligations	-	-	-	1,993
Claims, Judgments and Compensated Absences	8,688	12,376	21,064	27,531
Unearned Revenue	-	5,280	5,280	947
TOTAL CURRENT LIABILITIES	<u>11,128</u>	<u>36,121</u>	<u>47,249</u>	<u>53,004</u>
NONCURRENT LIABILITIES:				
Capital Lease Obligations	-	-	-	5,821
Claims, Judgments and Compensated Absences	13	30,447	30,460	39,460
Obligations under Securities Lending	<u>7,544</u>	<u>2,499</u>	<u>10,043</u>	<u>-</u>
TOTAL NONCURRENT LIABILITIES	<u>7,557</u>	<u>32,946</u>	<u>40,503</u>	<u>45,281</u>
TOTAL LIABILITIES	<u>18,685</u>	<u>69,067</u>	<u>87,752</u>	<u>98,285</u>
NET ASSETS:				
Invested in Capital Assets, net of related debt	234	5,529	5,763	14,247
Restricted for:				
Lottery Prizes, Noncurrent	-	1,599	1,599	-
Unemployment Insurance Benefits	319,797	-	319,797	-
Unrestricted	<u>-</u>	<u>31,019</u>	<u>31,019</u>	<u>39,748</u>
TOTAL NET ASSETS	<u>320,031</u>	<u>38,147</u>	<u>358,178</u>	<u>53,995</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 338,716</u>	<u>\$ 107,214</u>	<u>\$ 445,930</u>	<u>\$ 152,280</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

For the Year Ended June 30, 2007

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTALS	
OPERATING REVENUES:				
Charges for Services	\$ 127,340	\$ 136,078	\$ 263,418	\$ 301,983
Other	-	226	226	2,480
TOTAL OPERATING REVENUES	<u>127,340</u>	<u>136,304</u>	<u>263,644</u>	<u>304,463</u>
OPERATING EXPENSES:				
Personal Services	89	5,456	5,545	33,499
Services and Supplies	45	26,655	26,700	104,011
Lottery Prizes	-	65,398	65,398	-
Unemployment Claims	93,406	-	93,406	-
Insurance Claims	-	13,335	13,335	171,153
Depreciation	399	451	850	5,215
TOTAL OPERATING EXPENSES	<u>93,939</u>	<u>111,295</u>	<u>205,234</u>	<u>313,878</u>
Operating Income (Loss)	<u>33,401</u>	<u>25,009</u>	<u>58,410</u>	<u>(9,415)</u>
NONOPERATING REVENUES (EXPENSES):				
Investment Income	13,575	4,733	18,308	3,422
Gain (Loss) on Sale of Capital Assets	-	(21)	(21)	72
Other	-	-	-	1,936
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>13,575</u>	<u>4,712</u>	<u>18,287</u>	<u>5,430</u>
Income (Loss) Before Transfers	46,976	29,721	76,697	(3,985)
Transfers Out	-	(29,266)	(29,266)	-
Change in Net Assets	46,976	455	47,431	(3,985)
NET ASSETS, JULY 1	<u>273,055</u>	<u>37,692</u>	<u>310,747</u>	<u>57,980</u>
NET ASSETS, JUNE 30	<u>\$ 320,031</u>	<u>\$ 38,147</u>	<u>\$ 358,178</u>	<u>\$ 53,995</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2007

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTALS	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 134,223	\$ 127,642	\$ 261,865	\$ 15,296
Cash Received from Interfund Charges	-	6,594	6,594	293,539
Cash Paid to Employees	(89)	(5,393)	(5,482)	(33,411)
Cash Paid to Suppliers	(61)	(24,358)	(24,419)	(94,775)
Cash Paid for Lottery Prizes	-	(64,797)	(64,797)	-
Cash Paid for Insurance Claims	(95,428)	(12,635)	(108,063)	(172,007)
Cash Paid for Interfund Services	(8)	(1,653)	(1,661)	(9,621)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>38,637</u>	<u>25,400</u>	<u>64,037</u>	<u>(979)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cigarette Tax Proceeds	-	-	-	2,076
Transfers Out	-	(29,266)	(29,266)	-
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>(29,266)</u>	<u>(29,266)</u>	<u>2,076</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	(381)	(432)	(813)	(3,615)
Proceeds from Sale of Capital Assets	-	245	245	797
Principal Paid on Capital Leases	-	-	-	(2,434)
Interest Paid on Capital Leases	-	-	-	(140)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(381)</u>	<u>(187)</u>	<u>(568)</u>	<u>(5,392)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investment Securities	(804)	(165,134)	(165,938)	-
Proceeds from Sale of Investment Securities	-	166,956	166,956	-
Interest and Dividend Income	12,740	2,184	14,924	3,311
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>11,936</u>	<u>4,006</u>	<u>15,942</u>	<u>3,311</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	50,192	(47)	50,145	(984)
CASH AND CASH EQUIVALENTS, JULY 1	<u>217,524</u>	<u>32,307</u>	<u>249,831</u>	<u>72,732</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>\$ 267,716</u></u>	<u><u>\$ 32,260</u></u>	<u><u>\$ 299,976</u></u>	<u><u>\$ 71,748</u></u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)
For the Year Ended June 30, 2007

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTALS	
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 33,401	\$ 25,009	\$ 58,410	\$ (9,415)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	399	451	850	5,215
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	6,883	(490)	6,393	157
(Increase) Decrease in Due from Other Funds	-	(316)	(316)	4,495
(Increase) Decrease in Inventories	-	208	208	10
(Increase) Decrease in Prepaid Items	-	13	13	(15)
(Increase) Decrease in Long-Term Deposits	-	135	135	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(26)	940	914	118
Increase (Decrease) in Due to Other Funds	2	12	14	(410)
Increase (Decrease) in Claims Payable	(2,022)	700	(1,322)	(854)
Increase (Decrease) in Unearned Revenue	-	(1,262)	(1,262)	(280)
Total Adjustments	5,236	391	5,627	8,436
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 38,637	\$ 25,400	\$ 64,037	\$ (979)
NONCASH TRANSACTIONS(dollars in thousands):				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Capital Assets acquired through Capital Leases	\$ -	\$ -	\$ -	\$ 5,252
Change in Fair Value of Investments	-	2,522	2,522	-
Total Noncash Transactions	\$ -	\$ 2,522	\$ 2,522	\$ 5,252

State of Nebraska
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2007

(Dollars in Thousands)	PENSION TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Cash and Cash Equivalents	\$ 7,343	\$ 24,578	\$ 95,653
Investments:			
U.S. Treasury Notes and Bonds	32,610	-	-
U.S. Treasury Bills	5,745	-	-
U.S. Treasury Strips	425	-	-
Government Agency Securities	46,311	-	-
Corporate Bonds	380,159	-	-
International Bonds	54,051	-	-
Equity Securities	1,101,733	-	-
Private Equity	18,862	-	-
Options	(23)	-	-
Mortgages	825,535	-	-
Private Real Estate	279,895	-	-
Asset Backed Securities	112,380	-	-
Municipal Bonds	2,244	-	-
Commingled Funds	6,179,719	1,638,591	-
Guaranteed Investment Contracts	127,142	-	-
Short Term Investments	159,149	5,477	-
Total Investments	9,325,937	1,644,068	-
Securities Lending Collateral	385,640	-	-
Receivables:			
Contributions	18,535	-	-
Interest and Dividends	12,402	1,475	760
Other	153,498	2	460
Total Receivables	184,435	1,477	1,220
Due from Other Funds	19,671	-	-
Capital Assets:			
Buildings and Equipment	16,434	-	-
Less Accumulated Depreciation	(10,695)	-	-
Total Capital Assets, net	5,739	-	-
Other Assets	-	10,292	-
TOTAL ASSETS	<u>\$ 9,928,765</u>	<u>\$ 1,680,415</u>	<u>\$ 96,873</u>
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 432,462	\$ 2,554	17,650
Due to Other Governments	1,720	-	51,004
Deposits	-	35	-
Due to Other Funds	121	19	-
Obligations under Securities Lending	385,640	-	-
Capital Lease Obligations	6,873	-	-
Accrued Compensated Absences	245	-	-
Other Liabilities	-	-	28,219
TOTAL LIABILITIES	<u>827,061</u>	<u>2,608</u>	<u>96,873</u>
NET ASSETS:			
Held in Trust for:			
Pension Benefits	9,101,704	-	-
College Savings Plan	-	1,643,255	-
Other Purposes	-	34,552	-
TOTAL NET ASSETS	<u>9,101,704</u>	<u>1,677,807</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,928,765</u>	<u>\$ 1,680,415</u>	<u>\$ 96,873</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

For the Year Ended June 30, 2007

(Dollars in Thousands)

	PENSION TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Contributions:		
Participant Contributions	\$ 156,296	\$ 435,107
Client Contributions	-	225
State Contributions	74,879	-
Political Subdivision Contributions	107,595	-
Court Fees	3,144	-
Total Contributions	<u>341,914</u>	<u>435,332</u>
Investment Income:		
Net Appreciation (Depreciation) in		
Fair Value of Investments	1,185,189	134,863
Interest and Dividend Income	147,119	49,490
Securities Lending Income	14,605	-
Total Investment Income	<u>1,346,913</u>	<u>184,353</u>
Investment Expenses	12,507	10,290
Securities Lending Expenses	14,078	-
Total Investment Expense	<u>26,585</u>	<u>10,290</u>
Net Investment Income	<u>1,320,328</u>	<u>174,063</u>
Escheat Revenue	-	11,195
Other Additions	764	9,806
TOTAL ADDITIONS	<u>1,663,006</u>	<u>630,396</u>
DEDUCTIONS:		
Benefits	324,502	216,209
Refunds	11,453	-
Amounts Distributed to Outside Parties	-	14,709
Administrative Expenses	7,197	1,807
TOTAL DEDUCTIONS	<u>343,152</u>	<u>232,725</u>
Change in Net Assets Held in Trust for:		
Pension Benefits	1,319,854	-
College Savings Plan	-	391,923
Other Purposes	-	5,748
NET ASSETS-BEGINNING OF YEAR	<u>7,781,850</u>	<u>1,280,136</u>
NET ASSETS-END OF YEAR	<u><u>\$ 9,101,704</u></u>	<u><u>\$ 1,677,807</u></u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2007

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
ASSETS			
Cash and Cash Equivalents	\$ 255,209	\$ 15,980	\$ 271,189
Receivables, net of allowance			
Loans	35,660	2,659	38,319
Other	215,965	2,760	218,725
Due from Primary Government	-	896	896
Investments	1,753,884	33,726	1,787,610
Investment in Joint Venture	208,965	-	208,965
Other Assets	32,878	4,427	37,305
Restricted Assets:			
Cash and Cash Equivalents	263,444	35,418	298,862
Investments Held by Trustee	-	1,474	1,474
Capital assets:			
Land	57,970	630	58,600
Land Improvements	111,305	16,815	128,120
Construction in Progress	81,558	9,281	90,839
Buildings and Equipment	1,501,962	136,447	1,638,409
Less Accumulated Depreciation	(580,198)	(60,745)	(640,943)
Total Capital Assets, net of depreciation	<u>1,172,597</u>	<u>102,428</u>	<u>1,275,025</u>
Total Assets	<u>\$ 3,938,602</u>	<u>\$ 199,768</u>	<u>\$ 4,138,370</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 134,212	\$ 9,368	\$ 143,580
Deposits	11,966	469	12,435
Deferred Revenue	86,285	288	86,573
Noncurrent Liabilities:			
Due within one year	81,333	4,171	85,504
Due in more than one year	<u>493,859</u>	<u>47,482</u>	<u>541,341</u>
Total Liabilities	<u>\$ 807,655</u>	<u>\$ 61,778</u>	<u>\$ 869,433</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	\$ 769,459	\$ 72,433	\$ 841,892
Restricted for:			
Education	1,403,379	31,143	1,434,522
Other Purposes	261,762	5,845	267,607
Construction and Debt Service	160,150	12,530	172,680
Unrestricted	<u>536,197</u>	<u>16,039</u>	<u>552,236</u>
Total Net Assets	<u>\$ 3,130,947</u>	<u>\$ 137,990</u>	<u>\$ 3,268,937</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended June 30, 2007

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
Operating Expenses:			
Compensation and benefits	\$ 902,143	\$ 51,414	\$ 953,557
Supplies and materials	234,604	5,097	239,701
Contractual services	94,332	3,776	98,108
Repairs and maintenance	34,772	2,011	36,783
Utilities	29,950	3,915	33,865
Communications	13,738	1,064	14,802
Depreciation	74,393	4,060	78,453
Scholarships and fellowships	126,543	694	127,237
Other	13,319	11,351	24,670
Total Operating Expenses	<u>1,523,794</u>	<u>83,382</u>	<u>1,607,176</u>
Program Revenues:			
Charges for Services	633,215	27,564	660,779
Operating Grants and Contributions	361,649	9,645	371,294
Capital Grants and Contributions	-	1,354	1,354
Total Program Revenues	<u>994,864</u>	<u>38,563</u>	<u>1,033,427</u>
Net (Expense) Revenue	<u>(528,930)</u>	<u>(44,819)</u>	<u>(573,749)</u>
General Revenue:			
Interest and investment earnings	100,087	3,869	103,956
Payments from the State of Nebraska	480,035	48,826	528,861
Miscellaneous	224,067	4,634	228,701
Total General Revenues	<u>804,189</u>	<u>57,329</u>	<u>861,518</u>
Change in Net Assets	275,259	12,510	287,769
Net Assets - Beginning	<u>2,855,688</u>	<u>125,480</u>	<u>2,981,168</u>
Net Assets - Ending	<u>\$ 3,130,947</u>	<u>\$ 137,990</u>	<u>\$ 3,268,937</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2007

(dollars expressed in thousands)

1. Summary of Significant Accounting Policies

A. Basis of Presentation. The accompanying financial statements of the State of Nebraska (the "State") and its component units have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements have been prepared primarily from accounts maintained by the State Accounting Administrator of Administrative Services. Additional data has been derived from audited financial statements of certain entities and from reports prescribed by the State Accounting Administrator and prepared by various State agencies and departments based on independent or subsidiary accounting systems maintained by them.

B. Reporting Entity. In determining its financial reporting entity, the State has considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the State, or the significance of their relationship with the State are such that exclusion would be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

As required by GAAP, these financial statements present the State and its component units. The component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State. Complete financial statements of the individual component units that issue separate financial statements, as noted below, can be obtained from their respective administrative offices.

Blended Component Units. The following component units are entities that are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the State and blended into the appropriate funds.

NETC Leasing Corporation. The NETC Leasing Corporation is a nonprofit corporation formed by the State in 1999 to acquire property to be leased

to and purchased by the Nebraska Educational Telecommunications Commission (NETC), a State agency. The Governor appoints the members of the Board of Commissioners of the NETC and they in turn appoint and elect the five members of the Board of Directors of the NETC Leasing Corporation. Even though it is legally separate, the NETC Leasing Corporation is reported as if it were part of the State because it provides services entirely to the State.

Nebraska State Building Corporation. The Nebraska State Building Corporation (NSBC) is a nonprofit corporation formed by the State in 1987 to finance the acquisition of property to be used by the State. Even though it is legally separate, the NSBC is reported as if it were part of the State because it provides services entirely to the State.

Discretely Presented Component Units. The following component units are entities that are legally separate from the State, but are financially accountable to the State, or their relationships with the State are such that their exclusion would cause the State's financial statements to be misleading or incomplete. The component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the State and governed by separate boards.

Nebraska State College System. The Board of Trustees of the Nebraska State Colleges governs Chadron State College, Peru State College and Wayne State College. The Board of Trustees is also the Board of Directors of the Nebraska State Colleges Facilities Corporation, a nonprofit corporation incorporated in 1983 to finance the repair or construction of buildings or the acquisition of equipment for use by the State Colleges. The Board of Trustees consists of the Commissioner of Education and six members appointed by the Governor. Chadron State, Peru State and Wayne State Foundations are tax-exempt nonprofit corporations whose purpose is to provide financial support for the Nebraska State College System. Audit reports have been issued under separate cover.

University of Nebraska. The University of Nebraska consists of the following campuses: University of Nebraska – Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney, and University of Nebraska Medical Center. The University of Nebraska is governed by an elected eight-member Board of Regents. The University's financial reporting entity also consists of the following units: the University of

Nebraska Facilities Corporation, a nonprofit corporation organized to finance the construction and repair of buildings and hold them in trust for the University of Nebraska; the UNMC Physicians, organized for the purpose of billing medical service fees generated by university clinicians; UNeMed, organized to develop and market biomedical technologies for the university; the University Dental Associates, organized for the purpose of billing dental service fees generated by university dentists; the Nebraska Utility Corporation, formed to purchase, lease, construct and finance activities relating to energy requirements of the University of Nebraska-Lincoln; the Peter Kiewit Institute Technology Development Corporation, a nonprofit corporation formed for the purpose of teaching and developing information science technology through students and faculty by conducting applied research; and the University of Nebraska Foundation, a tax-exempt nonprofit corporation whose purpose is to provide financial support for the University of Nebraska. The University of Nebraska is included as a component unit because it is fiscally dependant on the State. Audit reports have been issued under separate cover.

The university and colleges are funded chiefly through State appropriations, tuition, federal grants, private donations and grants, and auxiliary operations.

Related Organizations. The State's officials are responsible for appointing members of boards of other organizations, but the State's accountability for these organizations does not extend beyond making these appointments. The Governor appoints the boards of the following organizations: Nebraska Educational Finance Authority, Nebraska Investment Finance Authority, Research and Development Authority, and Wyuka Cemetery.

C. Government-wide and Fund Financial Statements. The basic financial statements include both government-wide and fund financial statements. The reporting model based on the GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* focuses on the State as a whole in the government-wide financial statements and major individual funds in the fund financial statements. The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely

to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Investment in Capital Assets, net of related debt. This category reflects the portion of net assets associated with capital assets, net of accumulated depreciation and reduced by outstanding bonds and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted Net Assets. This category results when constraints are externally imposed on net asset use by creditors, grantors or contributors, or imposed by law through constitutional provisions or enabling legislation.

It is the policy of the State to spend restricted net assets only when unrestricted net assets are insufficient or unavailable.

The Statement of Net Assets reports \$2,084,245 of restricted net assets, of which \$1,224,418 is restricted by enabling legislation.

Unrestricted Net Assets. This category represents net assets that do not meet the definition of the preceding two categories. Unrestricted net assets often have constraints on resources that are imposed by management, but those constraints can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are reflected in the general government function. Administrative overhead charges of internal service funds are included in direct expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment; and 3) investment earnings of permanent funds that are legally restricted for a specific program. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major

individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements, with nonmajor funds being combined into a single column.

D. Basis of Accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except agency funds. With the economic resources measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related receivables are recognized as they become susceptible to accrual; generally when they become both measurable and available, i.e., earned and collected within the next 60 days, except for federal reimbursement grants which use a one year availability period. Revenues are generally considered to be susceptible to accrual when the underlying transaction takes place or when eligibility requirements are met. Major revenues that are determined to be susceptible to accrual include sales taxes, income taxes, other taxpayer-assessed tax revenues, unemployment insurance taxes, federal grants and contracts, charges for services, and investment income. All other revenue items, including estate taxes, are considered to be measurable and available when cash is received by the State. Receivables not expected to be collected in the next 60 days (or 12 months in the case of federal reimbursement grants) are offset by deferred revenue.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due and payable.

The State reports the following major governmental funds:

General Fund. This is the State's primary operating fund. It reflects transactions related to resources received and used for those services traditionally provided by a state government, which are not accounted for in any other fund.

Highway Fund. This fund accounts for the maintenance and preservation of State highways financed with sales tax on motor vehicles, gas taxes, federal aid and other highway user fees.

Federal Fund. This fund accounts for substantially all federal monies received by the State, except those received by the Highway Fund.

Health and Social Services Fund. This fund accounts for activities of agencies, boards, and commissions providing health care and social services financed primarily by user fees and tobacco settlement proceeds.

Permanent School Fund. This fund receives proceeds from any sale of the school lands held in trust for public education; payments for easements and rights-of-way over these lands; royalties and severance taxes paid on oil, gas and minerals produced from this lands; escheats; unclaimed property and other items provided by law. Income is distributed to public schools.

The State reports the following major enterprise fund:

Unemployment Insurance Fund. This fund accounts for the State's unemployment insurance benefits. Revenues consist of taxes assessed on employers to pay benefits to qualified unemployed persons.

Additionally, the State reports the following fund types:

Governmental Fund Types:

Special Revenue Funds. Reflect transactions related to resources received and used for restricted or specific purposes.

Capital Projects Fund. Reflects transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities.

Permanent Funds. Reflects transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizens, such as veterans, state airports and others.

Proprietary Fund Types:

Enterprise Funds. Reflect transactions used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

Internal Service Funds. These funds account for fleet management, facilities management, accounting, risk management, communication, information technology, printing, purchasing, and postal services provided to other funds on a cost reimbursement basis.

Fiduciary Fund Types:

Pension Trust Funds. These funds account for State Employee Retirement System, County Employee Retirement System, School Retirement System, Judges Retirement System, State Patrol Retirement System and Deferred Compensation pension benefits.

Private Purpose Trust Funds. These funds account for property escheated to the State held for private individuals, Nebraska College Savings Plan activity held for private individuals, and assets held for clients and inmates.

Agency Funds. These funds account for assets held by the State pending distribution to other governments and individuals.

In reporting the financial activity of its proprietary funds, the State applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989 but not after, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

- E. Cash and Cash Equivalents.** In addition to bank accounts and petty cash, this classification includes all short-term investments such as certificates of deposit, repurchase agreements, and U.S. treasury bills having original maturities (remaining time to maturity at acquisition) of three months or less. These investments are stated at cost, which at June 30, 2007, approximates market. Banks pledge collateral, as required by law, to guarantee State funds held in time and demand deposits.

Cash and cash equivalents are under the control of the State Treasurer or other administrative bodies as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council that maintains an

operating investment pool for such investments. Interest earned on these investments is allocated to funds based on their percentage of the investment pool.

- F. Investments.** Investments as reported in the basic financial statements include long-term investments. Law or legal instruments may restrict these investments. All investments of the State and its component units are stated at fair value based on quoted market prices. The State Treasurer is the custodian of all funds for the State; however, investments are under the responsibility of the Nebraska Investment Council or other administrative bodies as determined by law.

- G. Receivables.** Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience and current economic conditions.

- H. Inventories.** Inventories of materials and supplies are determined by both physical counts and through perpetual inventory systems. Significant inventories of governmental funds are valued using weighted average cost. Proprietary Funds' valuation method is primarily at the lower of cost (first-in, first-out) or market. Expenditures (governmental funds) and expenses (proprietary funds) are recognized using the consumption method (i.e., when used or sold).

Commodities on hand at fiscal year end are reflected as inventories, offset by a like amount of deferred revenue, in the Federal Fund. Food stamp inventory is reported at face value and commodities are reported at fair values established by the federal government at the date received.

- I. Restricted Assets.** Assets held by the trustees for the NETC Leasing Corporation, the Nebraska State Building Corporation, the State Revolving Fund, and the Master Lease Purchase Program are classified as restricted assets on the Statement of Net Assets because they are maintained in separate bank accounts and their use is limited by applicable bond and lease covenants. These assets are reflected as cash on deposit with fiscal agents in the fund financial statements. The nonmajor enterprise funds reflect long-term deposits with the Multi-State Lottery as restricted assets.

- J. Capital Assets.** Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the Statement of Net Assets. All capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The State possesses certain assets that have not been capitalized and depreciated, because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These collections are not capitalized by the State because they are (1) held for public exhibition, education or research in furtherance of public service, rather than financial gain, (2) protected, kept unencumbered, cared for and preserved, and (3) subject to an agency policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. These assets include works of art and historical treasures, such as statues; historical documents; paintings; rare library books; and miscellaneous capitol-related artifacts and furnishings.

Generally, equipment that has a cost in excess of \$5 at the date of acquisition and has an expected useful life of two or more years is capitalized. Substantially all initial building costs, land and land improvements costing in excess of \$100 are capitalized. Building improvements and renovations in excess of \$100 are capitalized if a substantial portion of the life of the asset has expired and if the useful life of the asset has been extended as a result of the renovation or improvement. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Buildings and equipment are depreciated using the straight-line method. The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Equipment	3-10 years

The State has elected to use the "modified approach" to account for certain infrastructure assets, as provided in GASB Statement No. 34. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the State to: commit to maintaining and preserving affected assets at or above a condition level established by the State; maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained; and make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. Roads and bridges maintained by the Department of Roads are accounted for using the modified approach. Infrastructure acquired prior to June 30, 1980, is reported.

K. Compensated Employee Absences. All permanent employees earn sick and annual leave. Temporary and intermittent employees and Board and Commis-

sion members are not eligible for paid leave. The liability has been calculated using the vesting method, in which leave amounts, for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination, are included.

State employees accrue vested annual leave at a variable rate based on years of service. Generally, accrued annual leave cannot exceed 35 days at the end of a calendar year. Employees accrue sick leave at a variable rate based on years of service. In general, accrued sick leave cannot exceed 240 days (or 180 days for non-union employees). Sick leave is not vested except upon death or upon reaching the age of 55, at which time, the State is liable for 25 percent of the employee's accumulated sick leave. In addition, some State agencies permit employees to accumulate compensatory leave rather than paying overtime.

The government-wide, proprietary, and fiduciary fund financial statements recognize the expense and accrued liability when vacation and compensatory leave is earned or when sick leave is expected to be paid as termination payments.

L. Reservations. Reservations of fund balance are established to identify the existence of assets that are not available for subsequent year appropriations (i.e., prepaid items and inventories) or have been legally segregated for specific purposes. Assets of legally restricted budgetary funds are an example of this type of reservation. Reservations of fund balance are also established for assets that are not current in nature, such as long-term loans receivable.

M. Interfund Transactions. Interfund services provided and used are accounted for as revenues, expenditures or expenses in the funds involved. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

The effect of interfund activity has been eliminated from the government-wide financial statements.

N. Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits and Investments Portfolio

Listed below is a summary of the deposit and investment portfolio that comprises the Cash and Cash Equivalents and Investments on the June 30, 2007, basic financial statements. All securities purchased or held must either be in the custody of the State or deposited with an agent in the State's name.

Deposits. At June 30, 2007, the carrying amounts of the State's deposits were \$90,395 and the bank balances were \$119,973. All bank balances were covered by federal depository insurance or by collateral held by the State's agent in the State's name.

State Statutes require that the aggregate amount of collateral securities deposited by a bank with the State Treasurer shall be at least one hundred two percent of the amount of public funds deposited in that bank, less the amount insured by the Federal Deposit Insurance Corporation. The State Treasurer had compensating balance agreements with various banks totaling \$41,563 at June 30, 2007.

Investments. State Statute Section 72-1239.01 authorizes the appointed members of the Nebraska Investment Council to act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims by diversifying the investments of the State. Certain State entities are also allowed by statute to invest in real estate and other investments.

The investment amounts for some funds presented in the fiduciary fund financial statements reflected audited financial statements for the period ended December 31, 2006. The investment risk disclosures presented below for fiduciary funds represent risks as of June 30, 2007.

The primary government's investments at June 30, 2007, are presented below. All investments are presented by investment type and debt securities are presented with effective duration presented in years.

PRIMARY GOVERNMENT INVESTMENTS AT JUNE 30, 2007

	GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES		FIDUCIARY FUNDS	
	FAIR VALUE	EFFECTIVE DURATION	FAIR VALUE	EFFECTIVE DURATION
Debt Securities				
U.S. Treasury Notes and Bonds	\$ 460,509	3.22	\$ 32,610	13.16
U.S. Treasury Bills	86,042	0.17	5,745	0.19
U.S. Treasury Strips	-		425	17.55
Government Agency Securities	1,133,067	3.13	46,311	4.58
Corporate Bonds	682,156	3.45	380,159	4.76
International Bonds	5,396	9.64	54,051	7.02
Mortgages	112,649	9.29	825,535	6.03
Asset Backed Securities	12,844	4.54	112,380	2.01
Commingled Funds	138,096	4.15	945,205	4.72
Municipal Bonds	-		2,244	1.83
Guaranteed Investment Contracts	2,226	4.32	127,142	4.32
Short Term Investments	263,456	0.06	164,626	0.08
	2,896,441		2,696,433	
Other Investments				
Equity Securities	88,111		1,101,733	
Private Equity	214		18,862	
Commingled Funds	479,089		6,873,105	
Options	-		(23)	
Private Real Estate			279,895	
U.S. Treasury Investment Pool	265,806		-	
Less: Component Unit Investment in State Investment Pool	(391,062)		-	
Total Investments	3,338,599		10,970,005	
Securities Lending Short-term Collateral Investment Pool	512,306		385,640	
Total	<u>\$ 3,850,905</u>		<u>\$ 11,355,645</u>	

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investments full price. The State has contracts with investment managers that limit the effective duration to within one year of the effective duration of the benchmark.

Credit Risk of Debt Securities. Credit risk is the risk that an issuer or other counterparty to an investment

will not fulfill its obligations. The State has contracts with investment managers that set minimum average quality ratings for its core fixed income accounts at an A and BB- for its high yield fixed income account. The primary government's rated debt investments as of June 30, 2007, were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES INVESTMENTS AT JUNE 30, 2007

	FAIR VALUE	QUALITY RATINGS						
		AAA	AA	A	BBB	BB	B	UNRATED
Govt Agency Securities	\$ 1,133,067	\$ 1,133,067	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	682,156	336,225	228,811	83,025	15,687	7,109	7,611	3,688
International Bonds	5,396	27	-	308	1,058	3,463	12	528
Mortgages	112,649	52,868	-	-	-	-	-	59,781
Asset Backed Securities	12,844	1,784	-	-	-	-	-	11,060
Commingled Funds	138,096	-	-	-	-	-	-	138,096
Short Term Investments	263,456	-	-	-	-	-	-	263,456

FIDUCIARY FUND INVESTMENTS AT JUNE 30, 2007

	FAIR VALUE	QUALITY RATINGS						
		AAA	AA	A	BBB	BB	B	UNRATED
Govt Agency Securities	\$ 45,467	\$ 42,601	\$ -	\$ -	\$ 558	\$ 1,832	\$ 476	\$ -
Corporate Bonds	433,340	54,889	92,003	66,803	48,070	60,495	67,370	43,710
International Bonds	51,212	301	402	4,620	7,494	24,897	3,607	9,891
Mortgages	849,344	578,579	1,209	-	120	-	647	268,789
Asset Backed Securities	135,447	122,645	298	290	148	-	-	12,066
Commingled Funds	972,308	-	-	-	-	-	-	972,308
Short Term Investments	188,128	-	-	-	-	-	-	188,128
Municipal Bonds	2,244	1,311	933	-	-	-	-	-

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State has contracts with investment managers that limit the maximum amount for an issuer, excluding U.S. Treasury, U.S. Agency, mortgages and non-U.S. sovereign issuers, to 5 percent of the total account.

At June 30, 2007, the primary government, except fiduciary funds, had debt securities investments with more than 5 percent or more of total investments in Federal Farm Credit Bank (7 percent), Federal Home Loan Bank (7 percent), Federal Home Loan Mortgage Corporation (8 percent), and Federal National Mortgage Corporation (8 percent). Fiduciary funds had no investments that exceeded 5 percent or more of total investments.

Securities Lending Transactions. The State participates in securities lending transactions, where securities are loaned to broker-dealers and banks with a simultaneous agreement to return the collateral for the same securities in the future. The State's primary

custodial bank administers the securities lending program and receives cash, United States government or government agency obligations, sovereign debt rated A or better, or convertible bonds at least equal in value to the market value of the loaned securities as collateral for securities of the type on loan at year-end. At year-end, the State had no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. The collateral securities cannot be pledged or sold by the State unless the borrower defaults. There are no restrictions on the amount of securities that can be loaned, and there were no losses resulting from borrower default during the year.

Either the State or the borrowers can terminate all securities loans on demand. Cash collateral is invested in one of the lending agent's short-term investment pools that had average durations of 43 and 68 days. Because loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. There is no loss

indemnification provided to the State by the contract with the custodian.

Derivative Financial Instruments. Derivative instruments are financial contracts whose underlying values depend on the values of one or more underlying assets, reference rates or financial indices. Over 75% of all such instruments are pension trust investments; the remaining are endowment investments. These instruments are used primarily to enhance performance and reduce the volatility of the portfolio, in accordance with the Investment Council-approved Derivatives Policy. The State invests in futures contracts, options and swaps. Futures represent commitments to purchase or sell securities or money market instruments at a future date and at a specific price. Options represent the right, but not the obligation, to purchase or sell securities at a future date and at a specific price. The State invests in these contracts related to securities of the U.S. Government or Government Agency obligations and based on reference notes, which are traded on organized exchanges, thereby minimizing the State's credit risk. The net change in the contract value is settled daily in cash with the exchanges. Swaps represent an exchange of streams of payments over time according to specified terms.

A reconciliation of deposits and investments for the State to the basic financial statements at June 30, 2007, is as follows:

Disclosure Regarding Deposits and Investments:

Total Investments	\$ 15,206,550
Carrying amount of Deposits	90,395
Total	<u>\$ 15,296,945</u>

Statement of Net Assets:

Cash and Cash Equivalents	\$ 451,474
Investments	2,830,749
Restricted Cash and Cash Equivalents	19,197
Securities Lending Collateral	512,306

Statement of Fiduciary Net Assets:

Cash and Cash Equivalents	127,574
Investments	10,970,005
Securities Lending Collateral	385,640
Total	<u>\$ 15,296,945</u>

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State does not have a formal policy to limit foreign currency risk. Primary Government exposure to foreign currency risk is presented on the following tables.

**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
FOREIGN CURRENCY AT JUNE 30, 2007**

Currency	SHORT TERM INVESTMENTS	EQUITY SECURITIES	DEBT SECURITIES
Australian Dollar	\$ -	\$ 849	\$ -
Brazilian Real	-	-	167
Canadian Dollar	10	120	60
Danish Krone	-	183	-
Euro Currency	40	5,986	-
Hong Kong Dollar	2	27	-
Iceland Krona	-	-	320
Indonesian Rupiah	-	144	-
Israeli Shekel	4	117	-
Japanese Yen	20	2,083	-
Malaysian Ringgit	-	-	265
Mexican Peso	15	374	455
New Zealand Dollar	-	99	87
Polish Zloty	-	5	-
Pound Sterling	120	2,234	-
Singapore Dollar	-	399	257
South Korean Won	19	1,032	234
Swedish Krona	2	616	-
Swiss Franc	-	1,492	-
Thailand Baht	-	329	-
Total	<u>\$ 232</u>	<u>\$ 16,089</u>	<u>\$ 1,845</u>

FIDUCIARY FUND FOREIGN CURRENCY AT JUNE 30, 2007

Currency	SHORT TERM INVESTMENTS	EQUITY SECURITIES	DEBT SECURITIES
Argentine Peso	\$ 15	\$ -	\$ 43
Australian Dollar	267	7,864	-
Brazilian Real	22	600	1,423
Canadian Dollar	69	709	477
Danish Krone	-	369	-
Euro Currency	394	108,407	859
Hungarian Forint	3	-	-
Iceland Krona	-	-	1,922
Indonesian Rupiah	11	1,006	-
Israeli Shekel	16	1,492	-
Japanese Yen	6,363	34,119	6,482
Malaysian Ringgit	-	-	1,808
Mexican Peso	3,912	6,694	8,320
New Zealand Dollar	-	139	574
Norwegian Krone	-	294	-
Philippine Peso	-	119	-
Polish Zloty	40	-	-
Pound Sterling	702	37,242	-
Singapore Dollar	593	2,449	1,929
South Korean Won	-	17,143	935
Swedish Krona	6	10,208	-
Swiss Franc	7	25,187	-
Thailand Baht	-	2,045	-
Total	<u>\$ 12,420</u>	<u>\$ 256,086</u>	<u>\$ 24,772</u>

3. Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 508,138	\$ 13,745	\$ 3,102	\$ 518,781
Infrastructure	6,394,382	130,766	-	6,525,148
Construction in progress	59,079	19,900	2,797	76,182
Total capital assets, not being depreciated	6,961,599	164,411	5,899	7,120,111
Capital assets, being depreciated:				
Buildings and improvements	453,341	3,102	1,617	454,826
Equipment	351,393	33,960	26,759	358,594
Total capital assets, being depreciated	804,734	37,062	28,376	813,420
Less accumulated depreciation for:				
Buildings and improvements	211,164	10,493	904	220,753
Equipment	245,366	28,279	25,298	248,347
Total accumulated depreciation	456,530	38,772	26,202	469,100
Total capital assets, being depreciated, net	348,204	(1,710)	2,174	344,320
Governmental activities capital assets, net	<u>\$ 7,309,803</u>	<u>\$ 162,701</u>	<u>\$ 8,073</u>	<u>\$ 7,464,431</u>
Business-type activities:				
Unemployment Insurance				
Equipment, being depreciated	\$ 428	\$ 381	\$ -	\$ 809
Less accumulated depreciation	176	399	-	575
Total Unemployment Insurance, net	252	(18)	-	234
Nonmajor Enterprise Funds				
Capital assets, not being depreciated:				
Land	315	-	-	315
Total capital assets, not being depreciated	315	-	-	315
Capital assets, being depreciated:				
Buildings and improvements	5,195	-	-	5,195
Equipment	4,388	430	324	4,494
Total capital assets, being depreciated	9,583	430	324	9,689
Less accumulated depreciation for:				
Buildings and improvements	1,120	130	-	1,250
Equipment	2,649	320	59	2,910
Total accumulated depreciation	3,769	450	59	4,160
Total capital assets, being depreciated, net	5,814	(20)	265	5,529
Total Nonmajor Enterprise, net	6,129	(20)	265	5,844
Business-type activities capital assets, net	<u>\$ 6,381</u>	<u>\$ (38)</u>	<u>\$ 265</u>	<u>\$ 6,078</u>

Current period depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
General Government	\$ 9,340
Conservation of Natural Resources	1,754
Culture – Recreation	1,474
Economic Development and Assistance	356
Education	1,148
Health and Social Services	861
Public Safety	9,709
Regulation of Business and Professions	254
Transportation	13,876
Total depreciation expense - Governmental activities	<u>\$ 38,772</u>

Construction Commitments. At June 30, 2007, the State had contractual commitments of approximately \$453,313 for various highway and building projects. Funding of these future expenditures is expected to be provided as follows:

Federal funds	\$ 88,483
State funds	348,389
Local funds	16,441
	<u>\$ 453,313</u>

Most of these commitments will not be reflected as capital asset increases when they are paid because the State is using the modified approach to account for infrastructure. Under this method, capital asset additions are only reflected when improvements expand the capacity or efficiency of an asset.

4. Interfund Balances

Due To/From Other Funds at June 30, 2007, consists of the following:

	DUE TO									TOTALS
	General Fund	Highway Fund	Federal Fund	Health and Social Services	Permanent School Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	
DUE FROM										
General Fund	\$ -	\$ 122	\$ 100	\$ 650	\$ -	\$ 995	\$ 89	\$ 30,510	\$ 19,135	\$ 51,601
Highway Fund	-	-	229	4	19	34	449	5,501	-	6,236
Federal Fund	81,482	9	-	4,247	-	2,238	80	3,555	-	91,611
Health and Social Services	-	4	561	-	-	764	16	9,502	-	10,847
Permanent School Fund	13	-	-	-	-	-	-	9	-	22
Nonmajor Governmental Funds	3,985	29	-	-	-	36	41	5,169	536	9,796
Unemployment Fund	-	-	-	-	-	-	1	1	-	2
Nonmajor Enterprise Funds	-	21	-	-	-	-	-	158	-	179
Internal Service Funds	4,577	440	2	-	-	259	7	703	-	5,988
Fiduciary Funds	-	-	-	-	-	33	7	100	-	140
TOTALS	\$ 90,057	\$ 625	\$ 892	\$ 4,901	\$ 19	\$ 4,359	\$ 690	\$ 55,208	\$ 19,671	\$ 176,422

Interfund receivables and payables are recorded for: (1) short term borrowings, (2) billing for services provided between agencies, (3) pension liabilities, and (4) risk management liabilities. All interfund receivables and payables are considered short term in nature, except for \$40,400 due from the General Fund, Highway Fund, Health and Social Services, and Nonmajor Governmental Funds to internal service funds for workers compensation liability.

Interfund transfers at June 30, 2007, consist of the following:

	TRANSFERRED TO:					TOTALS
	General Fund	Highway Fund	Federal Fund	Health and Social Services	Nonmajor Governmental Funds	
TRANSFERRED FROM:						
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 44,289	\$ 44,289
Highway Fund	-	-	-	-	9,153	9,153
Federal Fund	-	-	-	-	7,789	7,789
Health & Social Services Fund	1,455	-	-	-	419	1,874
Nonmajor Governmental Funds	36,936	18,892	97	130	6,842	62,897
Nonmajor Enterprise Funds	-	-	-	788	28,478	29,266
TOTALS	\$ 38,391	\$ 18,892	\$ 97	\$ 918	\$ 96,970	\$ 155,268

Transfers are used to (1) move revenues from the fund that statutes require to collect them to the fund that statutes require to expend them, (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) move profits from the State Lottery Fund as required by law.

5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as presented in the financial statements at June 30, 2007, consists of the following:

	General Fund	Highway Fund	Federal Fund	Health and Social Services	Permanent School Fund	Nonmajor Governmental Funds	Other Funds	Unemployment Insurance	Nonmajor Enterprise Funds	TOTALS
Payroll and Withholdings	\$ 13,992	\$ 6,791	\$ 3,806	\$ 760	\$ -	\$ 1,941	\$ 1,810	\$ 5	\$ 298	\$ 29,403
Payables and Accruals	64,188	51,194	63,995	6,897	50,009	23,434	13,702	2,401	17,901	293,721
Due to Fiduciary Funds *	-	-	-	-	-	-	19,671	-	-	19,671
Miscellaneous	-	-	-	-	-	86	672	32	87	877
TOTALS	\$ 78,180	\$ 57,985	\$ 67,801	\$ 7,657	\$ 50,009	\$ 25,461	\$ 35,855	\$ 2,438	\$ 18,286	\$ 343,672

* This amount represents amounts due to fiduciary funds, which were classified as external payables on the government-wide Statement of Net Assets.

6. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2007, are summarized as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Governmental Activities:					
Claims Payable	\$ 284,532	\$ 1,591,487	\$ 1,597,183	\$ 278,836	\$ 216,336
Bonds Payable	19,435	-	4,195	15,240	4,405
Capital Lease Obligations	22,964	5,486	6,378	22,072	6,246
Obligations Under Other Financing Arrangements	16,185	-	2,380	13,805	940
Compensated Absences	112,885	15,226	10,332	117,779	8,243
Totals	\$ 456,001	\$ 1,612,199	\$ 1,620,468	\$ 447,732	\$ 236,170
Business-type Activities:					
Unemployment Insurance:					
Claims Payable	\$ 10,706	\$ 93,409	\$ 95,428	\$ 8,687	\$ 8,687
Compensated Absences	15	2	3	14	1
Totals for Unemployment Insurance	10,721	93,411	95,431	8,701	8,688
Nonmajor Enterprise Funds:					
Claims Payable	41,500	13,335	12,635	42,200	12,332
Compensated Absences	582	82	41	623	44
Totals for Nonmajor Enterprise Funds	42,082	13,417	12,676	42,823	12,376
Totals for Business-type Activities	\$ 52,803	\$ 106,828	\$ 108,107	\$ 51,524	\$ 21,064

The amount of claims payable reported in the fund financial statements are due and payable at fiscal year end. Claims payable, compensated absences and capital lease obligations typically have been liquidated in the general, special revenue and internal service funds. Bonds payable and obligations under other financing arrangements have been liquidated in the special revenue funds.

State's Constitution that permits the issuance of revenue bonds for: (1) construction of highways; and (2) construction of water conservation and management structures. At June 30, 2007, there was no outstanding debt for either of these purposes.

The State created the NETC Leasing Corporation for the purpose of acquiring property to be leased to and purchased by the State. In February 2000, the NETC Leasing Corporation issued \$22,515 of lease rental revenue bonds to construct and acquire digital television facilities and equipment and related facilities. In May 2002, the NETC Leasing Corporation issued \$9,850 of

7. Bonds Payable

Article XIII of the State's Constitution prohibits the State from incurring debt in excess of one hundred thousand dollars. However, there is a provision in the

lease rental revenue bonds to renovate facilities. The NETC Leasing Corporation is not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself. The obligations outstanding at June 30, 2007 are collateralized by the revenues of the NETC Leasing Corporation, which consist primarily of rental paid by the State.

The State created the Nebraska State Building Corporation (NSBC) to finance the purchase of a building used by the State for its data processing and general services operations. In September 1987, the NSBC issued \$7,700 of lease revenue bonds to finance the purchase of the building. In June 1992, the NSBC issued \$7,645 of lease revenue bonds to refund the 1987 bonds. In June 2002, the NSBC issued \$4,155 of lease revenue bonds to refund the 1992 bonds. The NSBC is not subject to State constitutional restrictions on the

incurrence of debt, which may apply to the State itself. The obligations outstanding at June 30, 2007 are collateralized by the revenues of the NSBC, which consist primarily of building rental paid by the State.

The component units issue bonds for various purposes including student housing, parking facilities and special event centers. Net revenues from student housing and dining facilities, special student fees and parking facilities fees are pledged to secure the appropriate issues.

All outstanding bond issues of the University of Nebraska Facilities Corporation and the Nebraska State College Facilities Corporation are general obligations of these corporations. They are separate legal entities that are not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself.

	DATES ISSUED	MATURITY DATES	INTEREST RATES	BALANCE JUNE 30, 2007
BONDS PAYABLE				
PRIMARY GOVERNMENT				
NETC Leasing Corporation Issue	2000,2002	Through 2010	2.70%-6.00%	\$ 13,710
Nebraska State Building Corporation Issue	2002	Through 2009	1.50%-3.85%	1,530
Primary Government Total				<u>\$ 15,240</u>
COMPONENT UNITS				
University of Nebraska	1998-2006	Through 2038	2.15%-5.25%	\$ 492,410
Nebraska State Colleges	1999-2007	Through 2028	1.60%-5.05%	48,320
Component Units Total				<u>\$ 540,730</u>

PRIMARY GOVERNMENT DEBT SERVICE REQUIREMENTS TO MATURITY			
YEAR	PRINCIPAL	INTEREST	TOTAL
2008	4,405	808	5,213
2009	5,985	584	6,569
2010	4,850	291	5,141
Total	<u>\$ 15,240</u>	<u>\$ 1,683</u>	<u>\$ 16,923</u>

COMPONENT UNITS DEBT SERVICE REQUIREMENTS TO MATURITY			
YEAR	PRINCIPAL	INTEREST	TOTAL
2008	28,500	24,756	53,256
2009	34,235	23,446	57,681
2010	40,810	21,916	62,726
2011	36,430	20,230	56,660
2012	42,115	18,589	60,704
2013-2017	147,370	71,324	218,694
2018-2022	111,290	37,844	149,134
2023-2027	48,040	18,156	66,196
Thereafter	51,940	14,474	66,414
Total	<u>\$ 540,730</u>	<u>\$ 250,735</u>	<u>\$ 791,465</u>

8. Lease Commitments

Capital and Operating Leases. The State leases land, office facilities, equipment, and other assets under both capital and operating leases. Although the lease terms may vary, all leases are subject to annual appropriation by the Legislature.

The minimum annual lease payments (principle and interest) and the present value of future minimum payments for capital leases as of June 30, 2007 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2008	\$ 7,044
2009	6,821
2010	4,331
2011	2,128
2012	1,306
2013-2017	2,655
2018-2022	289
Total Minimum Payments	24,574
Less: Interest and executory costs	2,502
Present value of net minimum payments	<u>\$ 22,072</u>

Capital leases have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of property and equipment under capital leases as of June 30, 2007:

GOVERNMENTAL ACTIVITIES	
Buildings	\$ 7,070
Equipment	38,392
Less: accumulated depreciation	(21,138)
Carrying value	<u>\$ 24,324</u>

The minimum annual lease payments for operating leases as of June 30, 2007 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2008	\$ 9,595
2009	6,117
2010	5,595
2011	4,019
2012	1,643
2013-2017	4,136
2018-2022	823
Total	<u>\$ 31,928</u>

Primary Government operating lease payments for the year ended June 30, 2007 totaled \$13,973.

Lessor Transactions. The State also is a lessor of property, primarily farm land leased by the Board of Educational Lands and Funds to farmers and ranchers. At June 30, 2007, the State owned approximately 1.3 million acres of land that was under lease. Under the terms of the leases, the annual payments are subject to change based on annual market analysis. Total rents of \$27,150 were received under these and other lease agreements for the year ended June 30, 2007.

9. Obligations Under Other Financing Arrangements

The State has entered into special financing arrangements with certain public benefit corporations to fund certain grant programs. Under these arrangements, the State enters into an agreement with a public benefit corporation, the Nebraska Investment Finance Authority (NIFA), whereby NIFA issues bonds, the proceeds of which, along with federal capitalization grants, are used

to provide loans to various municipalities and local units of government in Nebraska that qualify for such loans. Such loans are used for improvements to wastewater and drinking water treatment facilities. Funds to repay NIFA come from the municipalities and units of government to which the loans are given.

A summary of the future minimum contractual obligations including interest at rates from 2.15 percent to 5.70 percent is as follows:

YEAR	PRINCIPAL	INTEREST	TOTAL
2008	940	606	1,546
2009	985	568	1,553
2010	1,035	528	1,563
2011	1,070	485	1,555
2012	1,125	438	1,563
2013-2017	6,605	1,315	7,920
2018-2022	2,045	171	2,216
Total	<u>\$ 13,805</u>	<u>\$ 4,111</u>	<u>\$ 17,916</u>

10. Receivables

Receivables are reflected net of allowances for doubtful accounts. The following are such related allowances listed by major fund at June 30, 2007:

Governmental Activities:	
General Fund	\$ 10,303
Federal Fund	14,186
Health and Social Services Fund	9,426
Total Governmental Activities	<u>\$ 33,915</u>
Business-type Activities:	
Unemployment Insurance	\$ 6,675
Total Business-type Activities	<u>\$ 6,675</u>

Of the taxes and other receivables, \$14,350 and \$18,657, respectively, is not expected to be collected within 60 days of the fiscal year end. These amounts have been offset by deferred revenue in the General Fund and the Health and Social Services Fund. Non-protested unpaid taxes deemed uncollectible and not included in the receivables or allowances total \$62,400. The majority of the loans receivable balance is not expected to be collected in the next year.

11. Pension Plans

Plans Administered by the Public Employees Retirement Board

The Public Employees Retirement Board (the Board), which consists of eight members, was created in 1971 to administer the Nebraska retirement plans then in existence. Those plans were the School, State Employees', Judges' and State Patrol plans. In October of 1973, the Board assumed the administration of the Nebraska Counties Retirement System. The plans have been created in accordance with Internal Revenue Code, Sections 401(a) and 414(h). Contribution and benefit provisions are established by State law and may only be amended by the State Legislature.

The Board prepares separate reports for the defined contribution plans and for the defined benefit plans. Copies of these reports that include financial statements and required supplementary information for the plans may be obtained by writing to Public Employees Retirement Systems, P.O. Box 94816, Lincoln, NE 68509-4816, or by calling 402-471-2053.

Basis of Accounting. The financial statements of the plans are prepared using the accrual basis of accounting, and are included as pension trust funds in the accompanying financial statements. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Plan Description and Funding Policy. By State law, there is to be an equitable allocation of expenses among the retirement systems administered by the Board, and all expenses shall be provided from the investment income earned by the various retirement funds. Following is a summary of each of these plans:

State Employees' Retirement. The single-employer plan became effective by statute on January 1, 1964. Prior to January 1, 2003, the plan consisted of a defined contribution plan that covered employees of the State. Effective January 1, 2003, a cash balance benefit was added to the State Employees Retirement Act. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected to either continue participation in the defined contribution option or begin participation in the cash balance benefit. All new members of the plan on and after January 1, 2003, become members of the cash balance benefit. The amounts presented in the accompanying financial statements for the State Employees' Retirement System are for the fiscal year ended December 31, 2006.

Participation in the plan is required for all permanent full-time employees upon completion of 12 months

of continuous service. Each member contributes 4.33 percent of their compensation until \$864 (not in thousands) has been paid and 4.8 percent of pay for the rest of the calendar year. The State matches a member's contribution at a rate of 156 percent.

As of December 31, 2006, there were 15,495 active members and 2,977 inactive members. Members contributed \$25,029 and the State contributed \$39,083 during the year ended December 31, 2006, which was equal to required contributions.

County Employees' Retirement. In 1973, the State Legislature brought the County Employees' Retirement System under the administration of the Board. This multiple-employer plan covers employees of 91 of the 93 counties and several county health districts. Douglas and Lancaster counties have separate retirement plans for their employees by State law. Prior to January 1, 2003, the plan consisted of a defined contribution plan. Effective January 1, 2003, a cash balance benefit was added to the County Employees Retirement Act. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected to either continue participation in the defined contribution option or begin participation in the cash balance benefit. All new members of the Plan on and after January 1, 2003, become members of the cash balance benefit. The amounts presented in the accompanying financial statements for the County Employees' Retirement System are for the fiscal year ended December 31, 2006.

Participation in the plan is required of all full-time employees upon the completion of 12 months of continuous service and of all full-time elected officials. Full-time or part-time employees (working less than one-half of regularly scheduled hours) may elect voluntary participation upon reaching age 20 and completing a total of 12 months service within a five-year period. Part-time elected officials may exercise the option to join. County employees and elected officials contribute four and one half percent and commissioned law enforcement personnel (for participating counties with an excess of 85,000 inhabitants) contribute five and one half percent of their total compensation. The counties match a member's contribution at a rate of 150 percent. The State is not required to contribute to this plan.

As of December 31, 2006, there were 6,734 active members and 1,361 inactive members. Members contributed \$8,595 and counties contributed \$12,699 during the year ended December 31, 2006, which was equal to required contributions.

School Retirement. The School Retirement System is a cost-sharing multiple-employer defined benefit pension plan with 280 participating school districts.

All regular public school employees in Nebraska, other than those who have their own retirement plan, are members of the system. The benefits are based on both service and contributions.

The State's contribution is based on an annual actuarial valuation. The employees' contribution was 7.98 percent of their total pay from September 1, 2005 through August 31, 2006 and 7.83 percent from September 1, 2006 through August 31, 2007. The school district's contribution is 101 percent of the employees' contribution.

Judges' Retirement. The Judges' Retirement System is a single-employer defined benefit pension system. The membership includes judges and associate judges employed by the State for the Supreme Court, Court of Appeals, District Court, Workers' Compensation Court, County Court, and Juvenile Court. Benefits are based on both service and final average salary. Benefits vest when the judge takes office.

Members' contributions, a portion of court fees collected, and the State's contribution, which is

based on an annual actuarial valuation, fund the plan. The judges contribute between four and eight percent of their salary.

State Patrol Retirement. The State Patrol Retirement System is a single-employer defined benefit pension system for officers of the patrol. The benefits are based on a percentage of the final average salary multiplied by years of service, not to exceed 75 percent of the average salary. Participation is mandated upon employment.

Members are required to contribute thirteen percent of their monthly salary, and State Patrol contributes fifteen percent. The State's contribution is based on an annual actuarial valuation.

The following tables provide the schedules of funding progress and the primary actuarial assumptions used in the most recent actuarial reports for the single-employer defined benefit plans:

**UNAUDITED REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS**

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(a-b) Excess of Assets over AAL (Unfunded AAL)	(a/b) Funded Ratio	(c) Covered Payroll	((a-b)/c) Excess/UAAAL as a Percentage of Covered Payroll
State Cash Balance						
12/31/2006	\$ 392,442	\$ 379,735	\$ 12,707	103.3 %	\$ 323,983	3.9 %
12/31/2005	342,730	300,852	41,878	113.9	238,874	17.5
12/31/2004	297,573	272,300	25,273	109.3	192,619	13.1
Judges'						
6/30/2007	\$ 111,006	\$ 103,704	\$ 7,302	107.04%	\$ 17,004	42.9 %
6/30/2006	100,566	101,438	(872)	99.1	16,423	(5.3)
6/30/2005	94,923	98,513	(3,590)	96.4	16,285	(22.0)
State Patrol						
6/30/2007	\$ 254,663	\$ 265,847	\$ (11,184)	95.8 %	\$ 26,073	(42.9)%
6/30/2006	231,741	\$ 245,373	(13,632)	94.4	24,058	(56.7)
6/30/2005	219,831	236,026	(16,195)	93.1	22,882	(70.8)

	STATE CASH BALANCE	JUDGES' RETIREMENT	STATE PATROL RETIREMENT
Actuarial Valuation Date	12/31/2006	6/30/2007	6/30/2007
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Amount Closed	Level Amount Closed	Level Amount Closed
Amortization Period	25 Years	30 Years	29 Years
Mortality	1994 Group Annuity Table	1994 Group Annuity Table	1994 Group Annuity Table
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return **	7.6%	8.0%	8.0%
Projected Salary Increases **	4.5% to 9.1%	4.5%	4.5% to 9.0%

** Includes assumed inflation of 3.5% per year.

THREE - YEAR TREND INFORMATION			
YEAR ENDED	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
State Cash Balance			
12/31/2006	\$16,672	100%	\$ -
12/31/2005	14,885	100%	-
12/31/2004	13,171	100%	-
County Cash Balance			
12/31/2006	\$ 6,245	100%	\$ -
12/31/2005	5,521	100%	-
12/31/2004	4,869	100%	-
School			
6/30/2007	\$15,220	100%	\$ -
6/30/2006	28,057	100%	-
6/30/2005	29,817	90%	14,928
Judges'			
6/30/2007	\$ 3,208	100%	\$ -
6/30/2006	3,120	100%	-
6/30/2005	2,719	84%	434
State Patrol			
6/30/2007	\$ 5,059	100%	\$ -
6/30/2006	5,082	100%	-
6/30/2005	3,869	82%	698

12. Contingencies and Commitments

Grants and Contracts. The State participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the State.

All State agencies including institutions of higher education are required to comply with various federal regulations issued by the U.S. Office of Management and Budget if such agency or institution is a recipient of federal grants, contracts, or other sponsored agreements. Certain agencies or institutions may not be in total compliance with these regulations. Failure to comply may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. Management believes that the ultimate disallowance pertaining to these regulations, if any, will not be material to the overall financial condition of the State.

Litigation. The State is named as a party in legal proceedings that occur in the normal course of governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contract, condemnation proceedings and other alleged violations of State and Federal laws. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the

State for these proceedings. It is the State's opinion that the ultimate liability for these and other proceedings is not expected to have a material adverse effect on the State's financial position.

The State also has been named as a party in legal proceedings that occur outside of the normal course of governmental operations. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the State for all of these proceedings. The effects of this litigation, if any, will be reflected in future years, as the uncertainties regarding the litigation are determined.

The State is a party to a lawsuit relating to \$37,000 of tobacco settlement money the State received in April 2004. It is not possible at the present time to determine the outcome of this lawsuit or its implications for potential similar future lawsuits.

13. Risk Management

Through Administrative Services, Divisions of Risk Management and State Personnel, the State maintains insurance and self-insurance programs. Workers' compensation, health care, employee liability and general liability are generally self-insured. However, the State does carry surety bonds for constitutional officers and limited general liability on two buildings. Motor vehicle liability is insured with a \$5,000 limit and a \$300 retention per occurrence (the self-insured retention for vehicular pursuit is \$1,000) and employee dishonesty is insured with a \$1,000 limit with a \$25 retention per incident. The State insures against property damage, maintaining a policy with a \$250,000 limit and a \$200 retention per occurrence. The State also carries some insurance for personal property damage. Settled claims have not exceeded this commercial insurance coverage in any of the past three years. The Division of State Personnel provides life insurance for eligible State employees. These activities are reported in the Risk Management Internal Service Fund.

Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The balance of claims liabilities is determined by an analysis of past, current, and future estimated loss experience. Because actual claims liabilities depend on such factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability may not result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors, but do not include non-incremental claims adjustment expenses.

The liability for workers' compensation is recorded as a claims payable of \$49,384 at a discounted rate of 3.5 percent (\$9,126).

Changes in the balances of claims liabilities of the Risk Management Internal Service Fund during the years ended June 30, 2007, and 2006, were as follows:

	Fiscal Year	
	2007	2006
Beginning Balance	\$ 63,561	\$ 64,211
Current Year Claims and Changes in Estimates	171,153	165,558
Claim Payments	(172,007)	(166,208)
Ending Balance	<u>\$ 62,707</u>	<u>\$ 63,561</u>

14. Joint Venture

The Board of Regents of the University of Nebraska and Bishop Clarkson Memorial Hospital (Clarkson) entered into a Joint Operating Agreement in 1997 forming the Nebraska Health System, a Nebraska nonprofit corporation doing business as the Nebraska Medical Center (NMC). A Board of Directors comprised of six members appointed by Clarkson and six members appointed by the Board of Regents govern NMC. Upon dissolution of NMC, the University and Clarkson will share equally in the remaining net assets.

Because the University has an ongoing financial interest in NMC, the University is accounting for the joint venture under the equity method. The University has recorded fifty percent equity in the change in net assets of NMC for the year ended June 30, 2007 totaling \$17,983. In addition, to the extent that sufficient funds are available as determined by the NMC Board of Directors, the University will receive an annual capital distribution. A distribution of \$3,000 was declared and paid out for fiscal year 2007.

In conjunction with the Joint Operating Agreement, the Board of Regents also entered into an Academic Affiliation Agreement for Education and Research with NMC. In connection with this agreement, NMC has agreed to financially support certain educational, research, operational and clinical activities of the University College of Medicine that further the mission and objectives of NMC. During the year ended June 30, 2007, the University received approximately \$23,230 of support in connection with the agreement.

Separate financial statements of NMC can be obtained from the Nebraska Medical Center, 42nd Street and Dewey Avenue, Omaha NE 68105.

REQUIRED SUPPLEMENTARY INFORMATION



State of Nebraska
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2007

(Dollars in Thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	\$ 3,105,942	\$ 3,250,047	\$ 3,297,379	\$ 47,332
Federal Grants and Contracts	256	256	256	-
Sales and Charges	21,499	21,499	21,499	-
Other	50,120	50,120	50,120	-
TOTAL REVENUES	3,177,817	3,321,922	3,369,254	47,332
EXPENDITURES:				
Current:				
General Government	250,741	252,594	239,275	13,319
Conservation of Natural Resources	52,203	55,203	39,817	15,386
Culture – Recreation	6,128	6,138	5,882	256
Economic Development and Assistance	8,856	8,856	6,409	2,447
Education	1,530,415	1,529,762	1,501,813	27,949
Health and Social Services	1,223,149	1,206,593	1,090,238	116,355
Public Safety	223,955	224,319	207,539	16,780
Regulation of Business and Professions	4,116	4,116	3,761	355
Transportation	19	19	18	1
TOTAL EXPENDITURES	3,299,582	3,287,600	3,094,752	192,848
Excess of Revenues Over (Under) Expenditures	(121,765)	34,322	274,502	240,180
OTHER FINANCING SOURCES (USES):				
Transfers In	314,501	314,501	314,501	-
Transfers Out	(319,808)	(319,808)	(319,808)	-
Other	180	180	180	-
TOTAL OTHER FINANCING SOURCES (USES)	(5,127)	(5,127)	(5,127)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(126,892)	29,195	269,375	240,180
FUND BALANCES, JULY 1	837,427	837,427	837,427	-
FUND BALANCES, JUNE 30	\$ 710,535	\$ 866,622	\$ 1,106,802	\$ 240,180

A reconciliation of the budgetary basis versus GAAP fund balance for the
General Fund as of June 30, 2007, follows (dollars in thousands):

Actual Fund Balances, budgetary basis, June 30, 2007

General	\$ 590,714
Cash Reserve	516,088
Budgetary fund balances	1,106,802

DIFFERENCES DUE TO BASIS OF ACCOUNTING:

Record taxes receivable	301,596
Record tax refund liability	(290,949)
Record State contributions due pension funds	(19,135)
Record claims payable	(98,578)
Record other net accrued receivables and liabilities	(28,093)
GAAP fund balance, June 30, 2007	<u>\$ 971,643</u>

See independent auditors' report

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CASH FUNDS

For the Year Ended June 30, 2007

(Dollars in Thousands)

	CASH FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	\$ 103,829	\$ 103,829	\$ 103,829	\$ -
Federal Grants and Contracts	290,544	290,544	290,544	-
Sales and Charges	401,217	401,217	401,217	-
Other	210,287	210,287	210,287	-
TOTAL REVENUES	1,005,877	1,005,877	1,005,877	-
EXPENDITURES:				
Current:				
General Government	91,655	93,711	57,906	35,805
Conservation of Natural Resources	82,585	84,385	45,216	39,169
Culture – Recreation	28,449	28,592	19,344	9,248
Economic Development and Assistance	62,611	62,621	20,179	42,442
Education	387,932	394,176	298,142	96,034
Health and Social Services	161,980	162,017	108,150	53,867
Public Safety	43,183	43,278	26,686	16,592
Regulation of Business and Professions	189,989	189,988	149,171	40,817
Transportation	773,689	779,689	583,279	196,410
Capital Projects	62,296	62,296	16,272	46,024
TOTAL EXPENDITURES	1,884,369	1,900,753	1,324,345	576,408
Excess of Revenues Over (Under) Expenditures	(878,492)	(894,876)	(318,468)	576,408
OTHER FINANCING SOURCES (USES):				
Transfers In	912,716	912,716	912,716	-
Transfers Out	(486,557)	(486,557)	(486,557)	-
Other	10,868	10,868	10,868	-
TOTAL OTHER FINANCING SOURCES (USES)	437,027	437,027	437,027	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(441,465)	(457,849)	118,559	576,408
FUND BALANCES, JULY 1	601,893	601,893	601,893	-
FUND BALANCES, JUNE 30	\$ 160,428	\$ 144,044	\$ 720,452	\$ 576,408

A reconciliation of the budgetary basis versus GAAP fund balance for the Major Funds as of June 30, 2007, follows (dollars in thousands):

Actual Fund Balances, budgetary basis, June 30, 2007

Cash	\$ 720,452
Construction	3,753
Federal	72,283
Revolving	176,346

Budgetary fund balances

972,834

DIFFERENCES DUE TO BASIS OF ACCOUNTING AND NONMAJOR FUNDS:

168,732

GAAP fund balance, June 30, 2007

\$ 1,141,566

Actual Fund Balances of Major Funds, June 30, 2007

Highway	\$ 156,005
Federal	5,378
Health and Social Services	506,311
Permanent School	473,872

GAAP fund balance, June 30, 2007

\$ 1,141,566

See independent auditors' report

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

CONSTRUCTION FUNDS

For the Year Ended June 30, 2007

(Dollars in Thousands)

	CONSTRUCTION FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	-	-	-	-
Sales and Charges	-	-	-	-
Other	290	290	290	-
TOTAL REVENUES	<u>290</u>	<u>290</u>	<u>290</u>	<u>-</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	-	-	-	-
Education	22,426	22,439	18,991	3,448
Health and Social Services	-	-	-	-
Public Safety	-	-	-	-
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Capital Projects	23,296	23,694	16,403	7,291
TOTAL EXPENDITURES	<u>45,722</u>	<u>46,133</u>	<u>35,394</u>	<u>10,739</u>
Excess of Revenues Over (Under) Expenditures	<u>(45,432)</u>	<u>(45,843)</u>	<u>(35,104)</u>	<u>10,739</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	31,372	31,372	31,372	-
Transfers Out	-	-	-	-
Other	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>31,372</u>	<u>31,372</u>	<u>31,372</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(14,060)</u>	<u>(14,471)</u>	<u>(3,732)</u>	<u>10,739</u>
FUND BALANCES, JULY 1	<u>7,485</u>	<u>7,485</u>	<u>7,485</u>	<u>-</u>
FUND BALANCES, JUNE 30	<u>\$ (6,575)</u>	<u>\$ (6,986)</u>	<u>\$ 3,753</u>	<u>\$ 10,739</u>

See independent auditors' report

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FEDERAL FUNDS

For the Year Ended June 30, 2007

(Dollars in Thousands)

	FEDERAL FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	2,109,839	2,109,839	2,109,839	-
Sales and Charges	14,801	14,801	14,801	-
Other	3,576	3,576	3,576	-
TOTAL REVENUES	<u>2,128,216</u>	<u>2,128,216</u>	<u>2,128,216</u>	<u>-</u>
EXPENDITURES:				
Current:				
General Government	7,484	7,973	3,931	4,042
Conservation of Natural Resources	64,065	68,764	36,641	32,123
Culture – Recreation	4,869	5,111	2,602	2,509
Economic Development and Assistance	109,877	113,833	61,570	52,263
Education	916,739	927,596	555,591	372,005
Health and Social Services	1,789,462	1,430,673	1,334,132	96,541
Public Safety	68,286	165,793	122,916	42,877
Regulation of Business and Professions	1,990	4,024	2,623	1,401
Transportation	-	-	-	-
Capital Projects	11,148	11,148	6,871	4,277
TOTAL EXPENDITURES	<u>2,973,920</u>	<u>2,734,915</u>	<u>2,126,877</u>	<u>608,038</u>
Excess of Revenues Over (Under) Expenditures	<u>(845,704)</u>	<u>(606,699)</u>	<u>1,339</u>	<u>608,038</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	6,925	6,925	6,925	-
Transfers Out	(7,391)	(7,391)	(7,391)	-
Other	13	13	13	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(453)</u>	<u>(453)</u>	<u>(453)</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(846,157)</u>	<u>(607,152)</u>	<u>886</u>	<u>608,038</u>
FUND BALANCES, JULY 1	<u>71,397</u>	<u>71,397</u>	<u>71,397</u>	<u>-</u>
FUND BALANCES, JUNE 30	<u>\$ (774,760)</u>	<u>\$ (535,755)</u>	<u>\$ 72,283</u>	<u>\$ 608,038</u>

See independent auditors' report

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

REVOLVING FUNDS

For the Year Ended June 30, 2007

(Dollars in Thousands)

	REVOLVING FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	3,366	3,366	3,366	-
Sales and Charges	415,280	415,280	415,280	-
Other	157,396	157,396	157,396	-
TOTAL REVENUES	576,042	576,042	576,042	-
EXPENDITURES:				
Current:				
General Government	228,491	228,674	156,458	72,216
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	495	495	451	44
Education	446,294	488,230	396,636	91,594
Health and Social Services	-	-	-	-
Public Safety	19,957	21,606	13,946	7,660
Regulation of Business and Professions	-	-	-	-
Transportation	1,000	1,000	-	1,000
Capital Projects	-	-	-	-
TOTAL EXPENDITURES	696,237	740,005	567,491	172,514
Excess of Revenues Over (Under) Expenditures	(120,195)	(163,963)	8,551	172,514
OTHER FINANCING SOURCES (USES):				
Transfers In	32,606	32,606	32,606	-
Transfers Out	(47,589)	(47,589)	(47,589)	-
Other	892	892	892	-
TOTAL OTHER FINANCING SOURCES (USES)	(14,091)	(14,091)	(14,091)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(134,286)	(178,054)	(5,540)	172,514
FUND BALANCES, JULY 1	181,886	181,886	181,886	-
FUND BALANCES, JUNE 30	\$ 47,600	\$ 3,832	\$ 176,346	\$ 172,514

See independent auditors' report

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2007

Budgetary Process

The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, all State agencies, including the university and colleges, must submit their budget requests for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, subprograms, and activities. The Governor reviews the agency requests, establishes priorities, and presents the Legislature with one or more pieces of legislation covering the biennium. The Legislature holds hearings on the Governor's proposed budget, adopts changes and presents final legislation to the Governor. The Governor can either: a) approve the appropriation bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths majority of the Legislature.

The approved appropriations set spending limits by fund type for programs within each agency. These limits may include up to five budgetary fund types. Thus, the legal level of control is fund type within program within agency. The central accounting system maintains this control. A separate publication titled "Annual Budgetary Report" shows the detail of this legal level of control. This publication is available from the State Accounting Division of Administrative Services.

Appropriations are made for each fiscal year of the biennium; balances at the end of the first fiscal year are carried over into the second fiscal year, unless directed otherwise by the Legislature. For most appropriations, balances lapse at the end of the biennium.

The budgetary fund types used by the State differ from those presented in the basic financial statements. The budgetary funds, which are listed below, are generally segregated by revenue sources. Of these seven fund types, only the first five are subject to the spending limits set by the appropriations bills. The General Fund is the only major fund that corresponds to a budgetary fund type, so the General Fund is the only major fund that has a budget.

General Fund. To account for activities funded by general tax dollars, primarily sales and income taxes.

Cash Reserve Fund. This is part of the General Fund, and is used to account for financial resources to be used as a reserve for the General Fund if the General Fund balance should become inadequate to meet current obligations. The Cash Reserve Fund is part of the budgetary basis fund balance.

Cash Funds. To account for the financing of goods or services provided by a State agency to individuals or entities outside State government on a cost-reimbursement basis, and to account for the revenues and expenditures related to highway construction.

Construction Funds. To account for financial resources to be used for the acquisition or construction of major capital facilities.

Federal Funds. To account for the financial resources related to the receipt and disbursement of funds generated from the federal government as a result of grants and contracts, except for federal highway monies accounted for in the Cash Funds.

Revolving Funds. To account for the financing of goods or services provided by one State agency to another State agency on a cost-reimbursement basis.

Trust Funds. To account for assets held in a trustee capacity.

Distributive Funds. To account for assets held as an agent for individuals, private organizations, and other governments and/or other funds.

The accompanying basic financial statements were prepared by converting budgetary fund data into the fund format required by GAAP. The cash basis of accounting is used for all budgetary fund types.

All State budgetary expenditures for the general, cash, construction, federal and revolving fund types are made pursuant to appropriations that may be amended by the Legislature, upon approval by the Governor. State agencies may allocate appropriations between object of expenditure accounts, except that personal service expenditures that exceed limitations contained in the appropriations bill require Legislative amendment. Any changes in appropriations are made through an annual deficit bill or other legislation. Appropriations from the federal fund type are considered to be estimated and the Legislature has approved an administrative procedure for changing them. During fiscal year 2007, the Legislature passed deficit appropriation bills that increased the allowable expenditure level in several of the programs.

For the year ended June 30, 2007, there were no budgetary programs in which expenditures exceeded appropriations. Revenues are not budgeted for any funds except for General Fund tax revenues.

REQUIRED SUPPLEMENTARY INFORMATION

INFORMATION ABOUT INFRASTRUCTURE ASSETS

REPORTED USING THE MODIFIED APPROACH

For the Year Ended June 30, 2007

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 10,000 miles of highway and bridges the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Measurement Scale

The Nebraska Department of Roads uses the Nebraska Serviceability Index (NSI) to measure and monitor pavement conditions. The NSI is a numerical pavement rating scale used to monitor the condition on a scale ranging from 0 to 100 with 0 being the worst and 100 being the best. NSI represents the condition of the pavement at the time of measurement and is based on pavement’s surface distresses. Surface distresses include cracking, patching, roughness, rutting, and faulting.

Established Condition Level

It is the policy of the Nebraska Department of Roads to maintain at least an overall NSI system rating of 72 or above.

Assessed Condition

The State assesses conditions on a calendar year basis. The following table reports the percentage of pavements meeting ratings of “Very Good”, “Good”, “Fair”, and “Poor”. This condition index is used to classify roads in very good (90-100), good (70-89), fair (50-69), and poor (0-49).

<u>Calendar Year</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Very Good	42%	39%	39%	40%	38%	48%
Good	38%	46%	46%	44%	43%	36%
Fair	19%	12%	12%	14%	16%	13%
Poor	1%	3%	3%	2%	3%	3%
Overall System Rating	83	84	83	83	83	84

Estimated and Actual Costs to Maintain

The following table presents the State’s estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level cited above, and the actual amount spent during the past fiscal years (amounts in millions). Beginning in Fiscal Year 2005, a newly developed Pavement Optimization Program was used to calculate the annual amount required to maintain the highway system at a NSI of 72 by performing a cost-benefit analysis of various improvement strategies by pavement section. This has resulted in a lower estimated annual cost. However, the actual cost of system preservation is greater than estimated as a result of maintaining the system at a NSI level higher than the base level established for GASB-34 purposes (72 base versus 84 actual).

<u>Fiscal Year</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Estimated	\$ 155	\$ 148	\$ 125	\$ 123	\$ 179	\$ 174
Actual		167	214	221	200	199
Difference		19	89	98	21	25

COMBINING FINANCIAL STATEMENTS





NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Licensing and Regulation. This fund accounts for all activities of agencies, boards, and commissions whose primary function is licensing individuals and regulating industry and professions. This includes a diverse group of professions such as abstracters, medical professions, barbers, engineers, architects and accountants.

Economic Development. This fund accounts for activities to develop and promote the growth of industry, agriculture, commerce and tourism, and utilization of resources within Nebraska.

Airport Development. This fund accounts for the activities relating to aircraft fuels tax, which is administered by the Department of Aeronautics for the support and maintenance of public airports.

Game and Parks. This fund accounts for the activities related to the Nebraska Game and Parks Commission, which is responsible for the development and preservation of the fish and wildlife resources of Nebraska, and operation and administration of the State park system.

Environmental Quality. This fund accounts for the activities related to the Department of Environmental Quality, which is responsible for the protection of Nebraska's air, land, and water resources.

Energy Conservation. This fund accounts for activities relating to the oil and gas severance taxes as well as energy conservation and development activities. The State Energy Office is responsible for providing technical assistance on energy conservation and development, distributing funds for the school weatherization program, and administering and distributing federal funds provided to the State in the area of energy efficiency.

State Building Corporation. This fund accounts for the activities of a blended component unit.

NETC Leasing Corporation. This fund accounts for the activities of a blended component unit.

Other Special Revenue. This fund accounts for various other revenues that must be used for specific purposes.

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for construction of buildings financed with tax dollars.

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Aeronautics Trust Fund. This fund receives proceeds from the sale of state-owned airfields. Investment income is used to pay for expenses of the Department of Aeronautics.

Nebraska Veterans' Aid Fund. This fund accounts for the investment activity of a General Fund contribution made in a prior year. Earnings on the investment are used to provide emergency financial assistance to eligible veterans and dependents.

Permanent Endowment Fund. This fund receives the proceeds of sales of land and investments endowed to the University by the Federal Government. This fund is under the control of the Board of Educational Lands and Funds, which is a part of the primary government. Income on these funds is used for support and maintenance of the University.

Agriculture Endowment Fund. This fund receives the proceeds of sales of land and investments endowed to the University's Agriculture College by the Federal Government. This fund is under the control of the Board of Educational Lands and Funds, which is a part of the primary government. Income from this fund is used for support and maintenance of the College of Agriculture and Natural Resources.

Other Permanent Funds. Normal School Endowment, J.J. Soukup, and Miscellaneous Permanent Trust.

State of Nebraska
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
ASSETS:				
Cash and Cash Equivalents	\$ 17,655	\$ 2,041	\$ 2,102	\$ 21,798
Cash on Deposit with Fiscal Agents	19,197	-	-	19,197
Investments	341,690	53,800	49,086	444,576
Securities Lending Collateral	82,652	13,319	5,246	101,217
Receivables, net of allowance				
Taxes	226	-	-	226
Due from Federal Government	540	-	-	540
Loans	233,827	9	-	233,836
Other	10,503	806	476	11,785
Due from Other Funds	4,359	-	-	4,359
Prepaid Items	92	-	-	92
Other	844	-	-	844
TOTAL ASSETS	<u>\$ 711,585</u>	<u>\$ 69,975</u>	<u>\$ 56,910</u>	<u>\$ 838,470</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 16,480	\$ 4,859	\$ 4,122	\$ 25,461
Due to Other Governments	154	-	-	154
Deposits	1,795	-	-	1,795
Due to Other Funds	9,792	4	-	9,796
Obligations under Securities Lending	82,652	13,319	5,246	101,217
TOTAL LIABILITIES	<u>110,873</u>	<u>18,182</u>	<u>9,368</u>	<u>138,423</u>
FUND BALANCES:				
Reserved for:				
Long-Term Receivables	233,827	9	-	233,836
Inventories and Prepaid Items	92	-	-	92
Debt Service	8,705	-	-	8,705
Endowment Principal	-	-	19,557	19,557
Unreserved	358,088	51,784	27,985	437,857
TOTAL FUND BALANCES	<u>600,712</u>	<u>51,793</u>	<u>47,542</u>	<u>700,047</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 711,585</u>	<u>\$ 69,975</u>	<u>\$ 56,910</u>	<u>\$ 838,470</u>

State of Nebraska

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2007

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
REVENUES:				
Sales and Use Taxes	\$ 3,266	\$ -	\$ -	\$ 3,266
Petroleum Taxes	12,948	-	-	12,948
Excise Taxes	41,918	9,163	-	51,081
Business and Franchise Taxes	17,825	-	-	17,825
Other Taxes	5,205	-	-	5,205
Federal Grants and Contracts	29,332	6,523	-	35,855
Licenses, Fees and Permits	111,416	-	-	111,416
Charges for Services	31,822	-	-	31,822
Investment Income	28,184	4,024	5,729	37,937
Rents and Royalties	13,116	11,817	-	24,933
Surcharge	51,395	-	-	51,395
Other	32,503	54	-	32,557
TOTAL REVENUES	378,930	31,581	5,729	416,240
EXPENDITURES:				
Current:				
General Government	57,479	-	18	57,497
Conservation of Natural Resources	49,760	-	-	49,760
Culture – Recreation	17,618	-	-	17,618
Economic Development and Assistance	22,529	-	-	22,529
Education	6,589	-	122	6,711
Higher Education - Colleges and University	-	26,161	-	26,161
Health and Social Services	840	-	957	1,797
Public Safety	29,549	-	-	29,549
Regulation of Business and Professions	148,749	-	-	148,749
Transportation	21,215	-	165	21,380
Capital Projects	-	27,494	-	27,494
Debt Service:				
Principal	6,575	-	-	6,575
Interest	1,666	-	-	1,666
TOTAL EXPENDITURES	362,569	53,655	1,262	417,486
Excess of Revenues Over (Under)				
Expenditures	16,361	(22,074)	4,467	(1,246)
OTHER FINANCING SOURCES (USES):				
Transfers In	65,598	31,372	-	96,970
Transfers Out	(57,974)	(4,585)	(338)	(62,897)
TOTAL OTHER FINANCING SOURCES (USES)	7,624	26,787	(338)	34,073
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	23,985	4,713	4,129	32,827
FUND BALANCES, JULY 1	576,727	47,080	43,413	667,220
FUND BALANCES, JUNE 30	\$ 600,712	\$ 51,793	\$ 47,542	\$ 700,047

State of Nebraska
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2007

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT	GAME AND PARKS
ASSETS:				
Cash and Cash Equivalents	\$ 3,170	\$ 2,035	\$ 4,827	\$ 2,203
Cash on Deposit with Fiscal Agents	-	-	-	-
Investments	80,662	50,861	-	54,253
Securities Lending Collateral	19,969	12,591	-	13,238
Receivables, net of allowance:				
Taxes	10	-	157	-
Due from Federal Government	-	-	-	496
Loans	-	144	3,067	-
Other	3,308	2,079	87	1,623
Due from Other Funds	798	-	45	732
Prepaid Items	3	-	5	50
Other	38	806	-	-
TOTAL ASSETS	<u>\$ 107,958</u>	<u>\$ 68,516</u>	<u>\$ 8,188</u>	<u>\$ 72,595</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 5,041	\$ 1,436	\$ 311	\$ 5,039
Due to Other Governments	11	-	-	2
Deposits	313	805	-	-
Due to Other Funds	359	56	20	918
Obligations under Securities Lending	19,969	12,591	-	13,238
TOTAL LIABILITIES	<u>25,693</u>	<u>14,888</u>	<u>331</u>	<u>19,197</u>
FUND BALANCES:				
Reserved for:				
Long-Term Receivables	-	144	3,067	-
Inventories and Prepaid Items	3	-	5	50
Debt Service	-	-	-	-
Unreserved	82,262	53,484	4,785	53,348
TOTAL FUND BALANCES	<u>82,265</u>	<u>53,628</u>	<u>7,857</u>	<u>53,398</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 107,958</u>	<u>\$ 68,516</u>	<u>\$ 8,188</u>	<u>\$ 72,595</u>

ENVIRONMENTAL QUALITY	ENERGY CONSERVATION	STATE BUILDING CORPORATION	NETC LEASING CORPORATION	OTHER SPECIAL REVENUE	TOTALS
\$ 1,765	\$ 644	\$ -	\$ -	\$ 3,011	\$ 17,655
7,643	-	556	3,941	7,057	19,197
48,286	16,936	-	-	90,692	341,690
11,412	4,193	-	-	21,249	82,652
59	-	-	-	-	226
-	-	-	-	44	540
213,914	13,840	-	-	2,862	233,827
680	253	2	301	2,170	10,503
-	-	-	-	2,784	4,359
-	-	-	6	28	92
-	-	-	-	-	844
<u>\$ 283,759</u>	<u>\$ 35,866</u>	<u>\$ 558</u>	<u>\$ 4,248</u>	<u>\$ 129,897</u>	<u>\$ 711,585</u>
\$ 173	\$ 23	\$ -	\$ -	\$ 4,457	\$ 16,480
-	-	-	-	141	154
-	-	-	-	677	1,795
5	6	-	-	8,428	9,792
11,412	4,193	-	-	21,249	82,652
<u>11,590</u>	<u>4,222</u>	<u>-</u>	<u>-</u>	<u>34,952</u>	<u>110,873</u>
213,914	13,840	-	-	2,862	233,827
-	-	-	6	28	92
7,643	-	558	286	218	8,705
50,612	17,804	-	3,956	91,837	358,088
<u>272,169</u>	<u>31,644</u>	<u>558</u>	<u>4,248</u>	<u>94,945</u>	<u>600,712</u>
<u>\$ 283,759</u>	<u>\$ 35,866</u>	<u>\$ 558</u>	<u>\$ 4,248</u>	<u>\$ 129,897</u>	<u>\$ 711,585</u>

State of Nebraska

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2007

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT	GAME AND PARKS
REVENUES:				
Sales and Use Taxes	\$ -	\$ 3,266	\$ -	\$ -
Petroleum Taxes	10,392	804	1,424	-
Excise Taxes	8,642	26,563	-	1,309
Business and Franchise Taxes	3,736	173	-	-
Other Taxes	-	-	-	-
Federal Grants and Contracts	543	-	16,815	8,262
Licenses, Fees and Permits	53,421	-	4	20,563
Charges for Services	2,147	198	817	4,217
Investment Income	8,312	3,536	236	3,956
Rents and Royalties	-	-	786	10,377
Surcharge	51,395	-	-	-
Other	9,569	264	7	724
TOTAL REVENUES	148,157	34,804	20,089	49,408
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Conservation of Natural Resources	-	-	-	38,072
Culture – Recreation	-	-	-	16,105
Economic Development and Assistance	-	21,771	-	-
Education	-	-	-	-
Health and Social Services	-	-	-	-
Public Safety	-	-	-	-
Regulation of Business and Professions	147,930	-	-	-
Transportation	-	-	21,215	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
TOTAL EXPENDITURES	147,930	21,771	21,215	54,177
Excess of Revenues Over (Under) Expenditures	227	13,033	(1,126)	(4,769)
OTHER FINANCING SOURCES (USES):				
Transfers In	2,444	10,843	338	12,941
Transfers Out	(26,880)	(20,412)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(24,436)	(9,569)	338	12,941
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(24,209)	3,464	(788)	8,172
FUND BALANCES, JULY 1	106,474	50,164	8,645	45,226
FUND BALANCES, JUNE 30	\$ 82,265	\$ 53,628	\$ 7,857	\$ 53,398

ENVIRONMENTAL QUALITY	ENERGY CONSERVATION	STATE BUILDING CORPORATION	NETC LEASING CORPORATION	OTHER SPECIAL REVENUE	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,266
-	300	-	-	28	12,948
2,423	-	-	-	2,981	41,918
1,567	-	-	-	12,349	17,825
-	-	-	-	5,205	5,205
-	190	-	-	3,522	29,332
7,120	-	-	-	30,308	111,416
9	20	-	-	24,414	31,822
4,358	747	16	211	6,812	28,184
-	-	623	-	1,330	13,116
-	-	-	-	-	51,395
6,105	57	-	-	15,777	32,503
<u>21,582</u>	<u>1,314</u>	<u>639</u>	<u>211</u>	<u>102,726</u>	<u>378,930</u>
-	-	2	-	57,477	57,479
8,788	734	-	-	2,166	49,760
-	-	-	-	1,513	17,618
-	-	-	-	758	22,529
-	-	-	824	5,765	6,589
-	-	-	-	840	840
-	-	-	-	29,549	29,549
-	-	-	-	819	148,749
-	-	-	-	-	21,215
2,380	-	555	3,640	-	6,575
652	-	69	945	-	1,666
<u>11,820</u>	<u>734</u>	<u>626</u>	<u>5,409</u>	<u>98,887</u>	<u>362,569</u>
<u>9,762</u>	<u>580</u>	<u>13</u>	<u>(5,198)</u>	<u>3,839</u>	<u>16,361</u>
7,679	-	-	4,585	26,768	65,598
(30)	-	-	-	(10,652)	(57,974)
<u>7,649</u>	<u>-</u>	<u>-</u>	<u>4,585</u>	<u>16,116</u>	<u>7,624</u>
17,411	580	13	(613)	19,955	23,985
<u>254,758</u>	<u>31,064</u>	<u>545</u>	<u>4,861</u>	<u>74,990</u>	<u>576,727</u>
<u>\$ 272,169</u>	<u>\$ 31,644</u>	<u>\$ 558</u>	<u>\$ 4,248</u>	<u>\$ 94,945</u>	<u>\$ 600,712</u>

State of Nebraska

COMBINING BALANCE SHEET **NONMAJOR PERMANENT FUNDS**

June 30, 2007

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
ASSETS:						
Cash and Cash Equivalents	\$ -	\$ 1,710	\$ 295	\$ 87	\$ 10	\$ 2,102
Investments	6,109	39,057	1,070	2,353	497	49,086
Securities Lending Collateral	3,146	1,889	52	114	45	5,246
Other Receivables, net of allowance	78	357	13	21	7	476
TOTAL ASSETS	<u>\$ 9,333</u>	<u>\$ 43,013</u>	<u>\$ 1,430</u>	<u>\$ 2,575</u>	<u>\$ 559</u>	<u>\$ 56,910</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts Payable and Accrued Liabilities	\$ -	\$ 3,739	\$ 111	\$ 244	\$ 28	\$ 4,122
Obligations under Securities Lending	3,146	1,889	52	114	45	5,246
TOTAL LIABILITIES	<u>3,146</u>	<u>5,628</u>	<u>163</u>	<u>358</u>	<u>73</u>	<u>9,368</u>
FUND BALANCES:						
Reserved for Endowment Principal	6,187	12,000	503	722	145	19,557
Unreserved	-	25,385	764	1,495	341	27,985
TOTAL FUND BALANCES	<u>6,187</u>	<u>37,385</u>	<u>1,267</u>	<u>2,217</u>	<u>486</u>	<u>47,542</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,333</u>	<u>\$ 43,013</u>	<u>\$ 1,430</u>	<u>\$ 2,575</u>	<u>\$ 559</u>	<u>\$ 56,910</u>

State of Nebraska

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR PERMANENT FUNDS

For the Year Ended June 30, 2007

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
REVENUES:						
Investment Income	\$ 513	\$ 4,737	\$ 142	\$ 286	\$ 51	\$ 5,729
TOTAL REVENUES	<u>513</u>	<u>4,737</u>	<u>142</u>	<u>286</u>	<u>51</u>	<u>5,729</u>
EXPENDITURES:						
General Government	-	-	-	-	18	18
Education	-	-	36	78	8	122
Health and Social Services	-	957	-	-	-	957
Transportation	<u>165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165</u>
TOTAL EXPENDITURES	<u>165</u>	<u>957</u>	<u>36</u>	<u>78</u>	<u>26</u>	<u>1,262</u>
Excess of Revenues Over (Under) Expenditures	348	3,780	106	208	25	4,467
OTHER FINANCING SOURCES (USES):						
Transfers Out	<u>(338)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(338)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	10	3,780	106	208	25	4,129
FUND BALANCES, JULY 1	<u>6,177</u>	<u>33,605</u>	<u>1,161</u>	<u>2,009</u>	<u>461</u>	<u>43,413</u>
FUND BALANCES, JUNE 30	<u>\$ 6,187</u>	<u>\$ 37,385</u>	<u>\$ 1,267</u>	<u>\$ 2,217</u>	<u>\$ 486</u>	<u>\$ 47,542</u>



NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are maintained to account for operations that are financed and operated in a manner similar to private business enterprises—where the costs of providing goods and services to the general public are financed primarily through user charges.

Lottery Fund. This fund accounts for all receipts and expenses from the operations of the State Lottery.

Excess Liability Fund. This fund accounts for the activity resulting from implementation of the Nebraska Hospital-Medical Liability Act. Revenues are primarily insurance premiums from certain health care providers and a surcharge levied on all participating health care providers in Nebraska. Expenses from the fund are used to pay judgments against participating health care providers, up to a limit of \$1,750,000 per occurrence.

Cornhusker State Industries. The activities of Cornhusker State Industries in the Department of Correctional Services are accounted for in this fund. One of the main activities is making furniture.

State of Nebraska

COMBINING STATEMENT OF NET ASSETS

NONMAJOR ENTERPRISE FUNDS

June 30, 2007

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
ASSETS				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 9,059	\$ 15,930	\$ 7,271	\$ 32,260
Receivables, net of allowance	4,556	1,040	577	6,173
Due from Other Funds	-	-	690	690
Inventories	-	-	1,691	1,691
Prepaid Items	340	-	-	340
TOTAL CURRENT ASSETS	<u>13,955</u>	<u>16,970</u>	<u>10,229</u>	<u>41,154</u>
NONCURRENT ASSETS:				
Restricted Long-Term Deposits	1,599	-	-	1,599
Long-Term Investments	-	56,118	-	56,118
Securities Lending Collateral	-	2,499	-	2,499
Capital Assets:				
Land	-	-	315	315
Buildings and Equipment	408	-	9,281	9,689
Less Accumulated Depreciation	(384)	-	(3,776)	(4,160)
Total Capital Assets, net	<u>24</u>	<u>-</u>	<u>5,820</u>	<u>5,844</u>
TOTAL NONCURRENT ASSETS	<u>1,623</u>	<u>58,617</u>	<u>5,820</u>	<u>66,060</u>
TOTAL ASSETS	<u>\$ 15,578</u>	<u>\$ 75,587</u>	<u>\$ 16,049</u>	<u>\$ 107,214</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 7,784	\$ 9,808	\$ 694	\$ 18,286
Due to Other Funds	39	-	140	179
Claims, Judgments and Compensated Absences	13	12,332	31	12,376
Unearned Revenue	-	5,280	-	5,280
TOTAL CURRENT LIABILITIES	<u>7,836</u>	<u>27,420</u>	<u>865</u>	<u>36,121</u>
NONCURRENT LIABILITIES:				
Claims, Judgments and Compensated Absences	169	29,868	410	30,447
Obligations under Securities Lending	-	2,499	-	2,499
TOTAL NONCURRENT LIABILITIES	<u>169</u>	<u>32,367</u>	<u>410</u>	<u>32,946</u>
TOTAL LIABILITIES	<u>8,005</u>	<u>59,787</u>	<u>1,275</u>	<u>69,067</u>
NET ASSETS:				
Invested in Capital Assets, net of related debt	24	-	5,505	5,529
Restricted for:				
Lottery Prizes, Noncurrent	1,599	-	-	1,599
Unrestricted	5,950	15,800	9,269	31,019
TOTAL NET ASSETS	<u>7,573</u>	<u>15,800</u>	<u>14,774</u>	<u>38,147</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,578</u>	<u>\$ 75,587</u>	<u>\$ 16,049</u>	<u>\$ 107,214</u>

State of Nebraska

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2007

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
OPERATING REVENUES:				
Charges for Services	\$ 114,489	\$ 12,474	\$ 9,115	\$ 136,078
Other	-	-	226	226
TOTAL OPERATING REVENUES	<u>114,489</u>	<u>12,474</u>	<u>9,341</u>	<u>136,304</u>
OPERATING EXPENSES:				
Personal Services	1,412	-	4,044	5,456
Services and Supplies	19,070	396	7,189	26,655
Lottery Prizes	65,398	-	-	65,398
Insurance Claims	-	13,335	-	13,335
Depreciation	15	-	436	451
TOTAL OPERATING EXPENSES	<u>85,895</u>	<u>13,731</u>	<u>11,669</u>	<u>111,295</u>
Operating Income (Loss)	<u>28,594</u>	<u>(1,257)</u>	<u>(2,328)</u>	<u>25,009</u>
NONOPERATING REVENUES (EXPENSES):				
Investment Income	592	3,759	382	4,733
Gain (Loss) on Sale of Fixed Assets	-	-	(21)	(21)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>592</u>	<u>3,759</u>	<u>361</u>	<u>4,712</u>
Income (Loss) Before Transfers	29,186	2,502	(1,967)	29,721
Transfers Out	<u>(29,266)</u>	<u>-</u>	<u>-</u>	<u>(29,266)</u>
Change in Net Assets	(80)	2,502	(1,967)	455
NET ASSETS, JULY 1	<u>7,653</u>	<u>13,298</u>	<u>16,741</u>	<u>37,692</u>
NET ASSETS, JUNE 30	<u>\$ 7,573</u>	<u>\$ 15,800</u>	<u>\$ 14,774</u>	<u>\$ 38,147</u>

State of Nebraska
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2007

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 114,349	\$ 11,212	\$ 2,081	\$127,642
Cash Received from Interfund Charges	-	-	6,594	6,594
Cash Paid to Employees	(1,366)	-	(4,027)	(5,393)
Cash Paid to Suppliers	(18,126)	(251)	(5,981)	(24,358)
Cash Paid for Lottery Prizes	(64,797)	-	-	(64,797)
Cash Paid for Insurance Claims	-	(12,635)	-	(12,635)
Cash Paid for Interfund Services	(402)	(160)	(1,091)	(1,653)
NET CASH FLOWS FROM OPERATING ACTIVITIES	29,658	(1,834)	(2,424)	25,400
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers Out	(29,266)	-	-	(29,266)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING:				
Acquisition and Construction of Capital Assets	(2)	-	(430)	(432)
Proceeds from Sale of Fixed Assets	-	-	245	245
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(2)	-	(185)	(187)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investment Securities	-	(165,134)	-	(165,134)
Proceeds from Sale of Investment Securities	-	166,956	-	166,956
Interest and Dividend Income	602	1,183	399	2,184
NET CASH FLOWS FROM INVESTING ACTIVITIES	602	3,005	399	4,006
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	992	1,171	(2,210)	(47)
CASH AND CASH EQUIVALENTS, JULY 1	8,067	14,759	9,481	32,307
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 9,059</u>	<u>\$ 15,930</u>	<u>\$ 7,271</u>	<u>\$ 32,260</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 28,594	\$ (1,257)	\$ (2,328)	\$ 25,009
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	15	-	436	451
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	(140)	-	(350)	(490)
(Increase) Decrease in Due from Other Funds	-	-	(316)	(316)
(Increase) Decrease in Inventories	-	-	208	208
(Increase) Decrease in Prepaid Items	13	-	-	13
(Increase) Decrease in Long-Term Deposits	135	-	-	135
Increase (Decrease) in Accounts Payable and Accrued Liabilities	1,033	(15)	(78)	940
Increase (Decrease) in Due to Other Funds	8	-	4	12
Increase (Decrease) in Claims Payable	-	700	-	700
Increase (Decrease) in Unearned Revenue	-	(1,262)	-	(1,262)
Total adjustments	1,064	(577)	(96)	391
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 29,658</u>	<u>\$ (1,834)</u>	<u>\$ (2,424)</u>	<u>\$ 25,400</u>
NONCASH TRANSACTIONS (dollars in thousands):				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Change in Fair Value of Investments	<u>\$ -</u>	<u>\$ 2,522</u>	<u>\$ -</u>	<u>\$ 2,522</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the operations of State agencies that provide goods and services to other departments or agencies within State government on a cost-reimbursement basis. The State has the following internal service funds:

Buildings and Grounds. The activities of Administrative Services, State Building Division, for space rental, office and storage, and operating the parking areas are accounted for in this fund.

General Services. This fund accounts for the operations of central services provided by the Administrative Services, Materiel Division. These operations are the central mailroom, printing, central stores, purchasing services, surplus State property, and other miscellaneous office services.

Communications. This fund accounts for the activities of the central communications network maintained by Administrative Services, Communications Division.

Information Management Services. The central data processing operations maintained by Administrative Services, Information Management Services Division, are accounted for in this fund.

Transportation Services Bureau. This fund accounts for the operations of the central motor pool, which is under Administrative Services, Transportation Services Bureau.

Risk Management. The activities of Administrative Services, Division of Risk Management, which include workers' compensation and general liability claims, and of the State Employees Insurance Fund, which include life and health insurance programs, are accounted for in this fund.

Accounting Services. The accounting operations maintained by Administrative Services, State Accounting Division, are accounted for in this fund.

Other Internal Service Funds. This fund accounts for the micrographics services and warehousing of records by the Records Management Division of the Secretary of State, the activities of the Investment Council, and the temporary employee pool maintained by Administrative Services, Division of State Personnel.

State of Nebraska

COMBINING STATEMENT OF NET ASSETS

INTERNAL SERVICE FUNDS

June 30, 2007

(Dollars in Thousands)

	BUILDINGS AND GROUNDS	GENERAL SERVICES	COMMUNICATIONS
ASSETS			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 11,902	\$ 4,845	\$ 3,544
Receivables, net of allowance			
Accounts	4	41	340
Accrued Interest	180	69	52
Due from Other Funds	154	2,245	3,152
Inventories	-	146	46
Prepaid Items	884	170	-
TOTAL CURRENT ASSETS	<u>13,124</u>	<u>7,516</u>	<u>7,134</u>
NONCURRENT ASSETS:			
Capital Assets:			
Buildings and Equipment	2,234	10,068	8,599
Less Accumulated Depreciation	<u>(2,014)</u>	<u>(5,124)</u>	<u>(6,362)</u>
Total Capital Assets, net	<u>220</u>	<u>4,944</u>	<u>2,237</u>
TOTAL ASSETS	<u>\$ 13,344</u>	<u>\$ 12,460</u>	<u>\$ 9,371</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 1,421	\$ 2,837	\$ 1,563
Due to Other Funds	56	748	25
Capital Lease Obligations	72	-	-
Claims, Judgments and Compensated Absences	39	33	26
Unearned Revenue	-	-	947
Other	-	-	-
TOTAL CURRENT LIABILITIES	<u>1,588</u>	<u>3,618</u>	<u>2,561</u>
NONCURRENT LIABILITIES:			
Capital Lease Obligations	106	-	-
Claims, Judgments and Compensated Absences	<u>517</u>	<u>440</u>	<u>349</u>
TOTAL NONCURRENT LIABILITIES	<u>623</u>	<u>440</u>	<u>349</u>
TOTAL LIABILITIES	<u>2,211</u>	<u>4,058</u>	<u>2,910</u>
NET ASSETS:			
Invested in Capital Assets, net of related debt	42	4,944	2,237
Unrestricted	<u>11,091</u>	<u>3,458</u>	<u>4,224</u>
TOTAL NET ASSETS	<u>11,133</u>	<u>8,402</u>	<u>6,461</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,344</u>	<u>\$ 12,460</u>	<u>\$ 9,371</u>

INFORMATION MANAGEMENT SERVICES	TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 12,584	\$ 2,041	\$ 32,574	\$ 1,264	\$ 2,994	\$ 71,748
239	153	50	2	185	1,014
186	34	394	45	39	999
6,395	2,394	40,411	-	457	55,208
-	4	-	-	-	196
-	-	-	-	-	1,054
<u>19,404</u>	<u>4,626</u>	<u>73,429</u>	<u>1,311</u>	<u>3,675</u>	<u>130,219</u>
14,039	20,866	-	1,565	1,057	58,428
<u>(12,646)</u>	<u>(8,540)</u>	<u>-</u>	<u>(680)</u>	<u>(1,001)</u>	<u>(36,367)</u>
<u>1,393</u>	<u>12,326</u>	<u>-</u>	<u>885</u>	<u>56</u>	<u>22,061</u>
<u>\$ 20,797</u>	<u>\$ 16,952</u>	<u>\$ 73,429</u>	<u>\$ 2,196</u>	<u>\$ 3,731</u>	<u>\$ 152,280</u>
\$ 3,965	\$ 644	\$ 5,208	\$ 286	\$ 621	\$ 16,545
369	156	4,573	51	10	5,988
1,295	626	-	-	-	1,993
168	5	27,235	16	9	27,531
-	-	-	-	-	947
-	-	-	-	-	-
<u>5,797</u>	<u>1,431</u>	<u>37,016</u>	<u>353</u>	<u>640</u>	<u>53,004</u>
2,974	2,741	-	-	-	5,821
<u>2,234</u>	<u>69</u>	<u>35,505</u>	<u>221</u>	<u>125</u>	<u>39,460</u>
<u>5,208</u>	<u>2,810</u>	<u>35,505</u>	<u>221</u>	<u>125</u>	<u>45,281</u>
<u>11,005</u>	<u>4,241</u>	<u>72,521</u>	<u>574</u>	<u>765</u>	<u>98,285</u>
(2,876)	8,959	-	885	56	14,247
<u>12,668</u>	<u>3,752</u>	<u>908</u>	<u>737</u>	<u>2,910</u>	<u>39,748</u>
<u>9,792</u>	<u>12,711</u>	<u>908</u>	<u>1,622</u>	<u>2,966</u>	<u>53,995</u>
<u>\$ 20,797</u>	<u>\$ 16,952</u>	<u>\$ 73,429</u>	<u>\$ 2,196</u>	<u>\$ 3,731</u>	<u>\$ 152,280</u>

State of Nebraska

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2007

(Dollars in Thousands)			
	BUILDINGS AND GROUNDS	GENERAL SERVICES	COMMUNICATIONS
OPERATING REVENUES:			
Charges for Services	\$ 28,530	\$ 19,617	\$ 24,232
Other	1,123	-	-
TOTAL OPERATING REVENUES	29,653	19,617	24,232
OPERATING EXPENSES:			
Personal Services	3,140	3,164	2,191
Services and Supplies	25,739	15,712	20,798
Insurance Claims	-	-	-
Depreciation	80	838	869
TOTAL OPERATING EXPENSES	28,959	19,714	23,858
 Operating Income (Loss)	 694	 (97)	 374
NONOPERATING REVENUES (EXPENSES):			
Investment Income	579	208	201
Gain (Loss) on Sale of Capital Assets	(106)	48	11
Other	(6)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	467	256	212
 Income (Loss) Before Transfers	 1,161	 159	 586
Transfers In	-	-	-
Transfers Out	-	-	-
 Change in Net Assets	 1,161	 159	 586
NET ASSETS, JULY 1	9,972	8,243	5,875
NET ASSETS, JUNE 30	\$ 11,133	\$ 8,402	\$ 6,461

INFORMATION MANAGEMENT SERVICES	TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 41,509	\$ 6,543	\$ 167,697	\$ 3,704	\$10,151	\$ 301,983
-	-	-	1,175	182	2,480
<u>41,509</u>	<u>6,543</u>	<u>167,697</u>	<u>4,879</u>	<u>10,333</u>	<u>304,463</u>
15,889	518	169	1,770	6,658	33,499
31,311	4,020	163	2,853	3,415	104,011
-	-	171,153	-	-	171,153
<u>1,171</u>	<u>1,784</u>	<u>-</u>	<u>455</u>	<u>18</u>	<u>5,215</u>
<u>48,371</u>	<u>6,322</u>	<u>171,485</u>	<u>5,078</u>	<u>10,091</u>	<u>313,878</u>
(6,862)	221	(3,788)	(199)	242	(9,415)
562	125	1,399	233	115	3,422
4	121	-	-	(6)	72
<u>1,970</u>	<u>(28)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,936</u>
<u>2,536</u>	<u>218</u>	<u>1,399</u>	<u>233</u>	<u>109</u>	<u>5,430</u>
(4,326)	439	(2,389)	34	351	(3,985)
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(4,326)	439	(2,389)	34	351	(3,985)
<u>14,118</u>	<u>12,272</u>	<u>3,297</u>	<u>1,588</u>	<u>2,615</u>	<u>57,980</u>
<u>\$ 9,792</u>	<u>\$ 12,711</u>	<u>\$ 908</u>	<u>\$ 1,622</u>	<u>\$ 2,966</u>	<u>\$ 53,995</u>

State of Nebraska
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2007

(Dollars in Thousands)	BUILDINGS AND GROUNDS	GENERAL SERVICES	COMMUNICATIONS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 549	\$ 82	\$ 1,632
Cash Received from Interfund Charges	29,150	19,279	22,067
Cash Paid to Employees	(3,098)	(3,174)	(2,121)
Cash Paid to Suppliers	(24,168)	(15,554)	(20,837)
Cash Paid for Insurance Claims	-	-	-
Cash Paid for Interfund Services	(1,349)	(286)	(808)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>1,084</u>	<u>347</u>	<u>(67)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cigarette Tax Proceeds	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	(54)	(1,132)	(911)
Proceeds from Sale of Capital Assets	8	12	3
Principal Paid on Capital Leases	(68)	-	-
Interest Paid on Capital Leases	(6)	-	-
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(120)</u>	<u>(1,120)</u>	<u>(908)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment Income	<u>545</u>	<u>207</u>	<u>196</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,509	(566)	(779)
CASH AND CASH EQUIVALENTS, JULY 1	<u>10,393</u>	<u>5,411</u>	<u>4,323</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>\$11,902</u></u>	<u><u>\$ 4,845</u></u>	<u><u>\$ 3,544</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 694	\$ (97)	\$ 374
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	80	838	869
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables	36	45	135
(Increase) Decrease in Due from Other Funds	10	(301)	(388)
(Increase) Decrease in Inventories	-	47	(37)
(Increase) Decrease in Prepaid Items	(42)	27	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	292	219	(675)
Increase (Decrease) in Due to Other Funds	14	(431)	(65)
Increase (Decrease) in Claims Payable	-	-	-
Increase (Decrease) in Unearned Revenue	-	-	(280)
Total Adjustments	<u>390</u>	<u>444</u>	<u>(441)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ 1,084</u></u>	<u><u>\$ 347</u></u>	<u><u>\$ (67)</u></u>
NONCASH TRANSACTIONS (dollars in thousands):			
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments. The following noncash transactions occurred during the year:			
Capital Assets acquired through Capital Leases	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

INFORMATION MANAGEMENT SERVICES	TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 177	\$ 59	\$ 6,148	\$ 1	\$ 6,648	\$ 15,296
40,545	5,496	168,519	4,876	3,607	293,539
(15,856)	(506)	(172)	(1,776)	(6,708)	(33,411)
(25,954)	(2,398)	(685)	(2,046)	(3,133)	(94,775)
-	-	(172,007)	-	-	(172,007)
<u>(4,657)</u>	<u>(1,564)</u>	<u>(121)</u>	<u>(644)</u>	<u>(192)</u>	<u>(9,621)</u>
<u>(5,745)</u>	<u>1,087</u>	<u>1,682</u>	<u>411</u>	<u>222</u>	<u>(979)</u>
<u>2,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,076</u>
-	(1,325)	-	(181)	(12)	(3,615)
90	684	-	-	-	797
(1,311)	(1,055)	-	-	-	(2,434)
<u>(106)</u>	<u>(28)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(140)</u>
<u>(1,327)</u>	<u>(1,724)</u>	<u>-</u>	<u>(181)</u>	<u>(12)</u>	<u>(5,392)</u>
<u>578</u>	<u>124</u>	<u>1,325</u>	<u>232</u>	<u>104</u>	<u>3,311</u>
(4,418)	(513)	3,007	462	314	(984)
<u>17,002</u>	<u>2,554</u>	<u>29,567</u>	<u>802</u>	<u>2,680</u>	<u>72,732</u>
<u>\$12,584</u>	<u>\$ 2,041</u>	<u>\$ 32,574</u>	<u>\$ 1,264</u>	<u>\$ 2,994</u>	<u>\$ 71,748</u>
<u>\$ (6,862)</u>	<u>\$ 221</u>	<u>\$ (3,788)</u>	<u>\$ (199)</u>	<u>\$ 242</u>	<u>\$ (9,415)</u>
1,171	1,784	-	455	18	5,215
36	15	(26)	(2)	(82)	157
(823)	(1,003)	6,996	-	4	4,495
-	-	-	-	-	10
-	-	-	-	-	(15)
684	24	(641)	161	54	118
49	46	(5)	(4)	(14)	(410)
-	-	(854)	-	-	(854)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(280)</u>
<u>1,117</u>	<u>866</u>	<u>5,470</u>	<u>610</u>	<u>(20)</u>	<u>8,436</u>
<u>\$ (5,745)</u>	<u>\$ 1,087</u>	<u>\$ 1,682</u>	<u>\$ 411</u>	<u>\$ 222</u>	<u>\$ (979)</u>
<u>\$ 1,885</u>	<u>\$ 3,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,252</u>



FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the State of Nebraska in a fiduciary capacity. The State has the following fiduciary funds:

PENSION TRUST FUNDS

Deferred Compensation, State Employees' Retirement, County Employees' Retirement, Judges' Retirement, State Patrol Retirement, and School Retirement Systems.

PRIVATE PURPOSE TRUST FUNDS

Vocational Rehabilitation Fund. This fund provides rehabilitation services to outside persons to restore the person to gainful employment. Funding comes from assessments to insurance companies and self-insurers. This is not a State program.

Canteen and Welfare Fund. This fund provides entertainment activities and equipment at correctional facilities for youth and adult offenders. Such expenditures are not in the context of the State's responsibility for prisoner care and welfare. Revenues are from vending sales, canteen sales and interest earned. Such sales are 100% from inmate purchases. This is not a State program and uses no State funds.

Escheat Trust Fund. This fund makes payments to rightful owners for financial assets turned over to the State Treasurer because the assets were left unclaimed at corporations, business associations, banking and financial organizations, insurance companies, utilities and public authorities. If the rightful owners cannot be located, excess funds are transferred to the Permanent School Fund. However, the only funds shown in this trust are those funds determined to be paid at a future date to rightful owners of those funds.

College Savings Plan. This fund accounts for the Nebraska savings plan qualified under section 529 of the Internal Revenue Code.

Other Private Purpose Trust Funds. Amos Trust, Agriculture and University Land Lease, Public Service Commission Trust Account, and Miscellaneous Private Purpose Trust.

AGENCY FUNDS

Local Government Fund. This fund receives money for redistribution to counties and other political subdivisions.

Other Agency Funds. Ohio College Library Service, Severance Tax Fund, Court Ordered Settlement, County Court Trust Funds, Comprehensive Health Insurance Pool, the Department of Correctional Services Inmate Trust Funds, and the Health and Human Services System Trust Funds.

State of Nebraska

COMBINING STATEMENT OF FIDUCIARY NET ASSETS PENSION TRUST FUNDS

June 30, 2007

(Dollars in Thousands)

	DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT DEFINED CONTRIBUTION	CASH BALANCE
ASSETS:			
Cash and Cash Equivalents	\$ 75	\$ 1,177	\$ 32
Investments:			
U.S. Treasury Notes and Bonds	-	-	9,474
U.S. Treasury Bills	-	-	205
U.S. Treasury Strips	-	-	328
Government Agency Securities	-	-	3,577
Corporate Bonds	-	-	19,167
International Bonds	-	-	5,970
Equity Securities	-	1,672	56,788
Private Equity	-	-	358
Options	-	-	(18)
Mortgages	-	-	45,573
Private Real Estate	-	-	14,160
Asset Backed Securities	-	-	9,073
Municipal Bonds	-	-	127
Commingled Funds	160,115	666,586	271,959
Guaranteed Investment Contracts	-	102,556	1,396
Short Term Investments	-	11,968	7,914
Total Investments	<u>160,115</u>	<u>782,782</u>	<u>446,051</u>
Securities Lending Collateral	-	6,155	13,412
Receivables:			
Contributions	-	2	2
Interest and Dividends	1	53	826
Other	-	-	14,764
Total Receivables	<u>1</u>	<u>55</u>	<u>15,592</u>
Due from Other Funds	1	-	-
Capital Assets:			
Buildings and Equipment	46	1,100	2,104
Less Accumulated Depreciation	<u>(41)</u>	<u>(783)</u>	<u>(981)</u>
Total Capital Assets, net	<u>5</u>	<u>317</u>	<u>1,123</u>
TOTAL ASSETS	<u>\$ 160,197</u>	<u>\$ 790,486</u>	<u>\$ 476,210</u>
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ -	\$ 291	\$ 39,311
Due to Other Governments	-	-	-
Due to Other Funds	1	34	-
Obligations under Securities Lending	-	6,155	13,412
Capital Lease Obligations	7	480	1,045
Accrued Compensated Absences	<u>5</u>	<u>27</u>	<u>14</u>
TOTAL LIABILITIES	<u>13</u>	<u>6,987</u>	<u>53,782</u>
NET ASSETS:			
Held in Trust for Pension Benefits	<u>160,184</u>	<u>783,499</u>	<u>422,428</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 160,197</u>	<u>\$ 790,486</u>	<u>\$ 476,210</u>

COUNTY EMPLOYEES RETIREMENT		SCHOOL RETIREMENT	JUDGES RETIREMENT	STATE PATROL RETIREMENT	TOTALS
DEFINED CONTRIBUTION	CASH BALANCE				
\$ 32	\$ 33	\$ 4,964	\$ 162	\$ 868	\$ 7,343
-	2,790	19,248	333	765	32,610
-	60	5,185	89	206	5,745
-	97	-	-	-	425
-	1,053	39,433	681	1,567	46,311
-	5,645	336,178	5,809	13,360	380,159
-	1,758	43,824	757	1,742	54,051
137	16,725	971,042	16,779	38,590	1,101,733
-	105	17,406	301	692	18,862
-	(5)	-	-	-	(23)
-	13,422	725,189	12,531	28,820	825,535
-	4,170	247,455	4,276	9,834	279,895
-	2,672	95,206	1,645	3,784	112,380
-	37	1,968	34	78	2,244
159,090	80,129	4,580,651	79,151	182,038	6,179,719
22,760	430	-	-	-	127,142
2,293	2,222	127,483	2,203	5,066	159,149
184,280	131,310	7,210,268	124,589	286,542	9,325,937
1,366	3,952	341,295	5,897	13,563	385,640
319	378	17,546	288	-	18,535
10	243	10,657	185	427	12,402
-	4,348	127,137	2,197	5,052	153,498
329	4,969	155,340	2,670	5,479	184,435
-	-	18,274	73	1,323	19,671
502	1,107	8,335	1,633	1,607	16,434
(448)	(516)	(5,946)	(998)	(982)	(10,695)
54	591	2,389	635	625	5,739
<u>\$ 186,061</u>	<u>\$ 140,855</u>	<u>\$ 7,732,530</u>	<u>\$ 134,026</u>	<u>\$ 308,400</u>	<u>\$ 9,928,765</u>
\$ 60	\$ 11,475	\$ 360,888	\$ 6,195	\$ 14,242	\$ 432,462
-	-	1,564	49	107	1,720
16	-	36	33	1	121
1,366	3,952	341,295	5,897	13,563	385,640
196	550	3,008	800	787	6,873
11	7	174	3	4	245
1,649	15,984	706,965	12,977	28,704	827,061
184,412	124,871	7,025,565	121,049	279,696	9,101,704
<u>\$ 186,061</u>	<u>\$ 140,855</u>	<u>\$ 7,732,530</u>	<u>\$ 134,026</u>	<u>\$ 308,400</u>	<u>\$ 9,928,765</u>

State of Nebraska

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION TRUST FUNDS

For the Year Ended June 30, 2007

(Dollars in Thousands)

	DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT DEFINED CONTRIBUTION	CASH BALANCE
ADDITIONS:			
Contributions:			
Participant Contributions	\$ 9,083	\$ 14,352	\$ 10,677
State Contributions	-	22,410	16,672
Political Subdivision Contributions	-	-	-
Court Fees	-	-	-
Total Contributions	9,083	36,762	27,349
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	19,917	82,205	53,864
Interest and Dividend Income	3,705	-	-
Securities Lending Income	-	190	730
Total Investment Income	23,622	82,395	54,594
Investment Expenses	-	-	-
Securities Lending Expenses	-	186	703
Total Investment Expense	-	186	703
Net Investment Income	23,622	82,209	53,891
Other Additions	71	618	4
TOTAL ADDITIONS	32,776	119,589	81,244
DEDUCTIONS:			
Benefits	10,459	31,058	17,734
Refunds	-	-	-
Administrative Expenses	203	832	854
TOTAL DEDUCTIONS	10,662	31,890	18,588
TRANSFERS:			
Transfers In (Out)	-	(3,311)	3,311
Change in Net Assets	22,114	84,388	65,967
NET ASSETS-BEGINNING OF YEAR	138,070	699,111	356,461
NET ASSETS-END OF YEAR	\$ 160,184	\$ 783,499	\$ 422,428

COUNTY EMPLOYEES RETIREMENT		SCHOOL RETIREMENT	JUDGES RETIREMENT	STATE PATROL RETIREMENT	TOTALS
DEFINED CONTRIBUTION	CASH BALANCE				
\$ 4,375	\$ 4,220	\$ 109,055	\$ 1,098	\$ 3,436	\$ 156,296
6,453	6,245	17,935	72	5,092	74,879
-	-	107,595	-	-	107,595
-	-	-	3,144	-	3,144
<u>10,828</u>	<u>10,465</u>	<u>234,585</u>	<u>4,314</u>	<u>8,528</u>	<u>341,914</u>
19,013	15,740	940,440	16,304	37,706	1,185,189
-	-	135,612	2,356	5,446	147,119
<u>42</u>	<u>215</u>	<u>12,704</u>	<u>219</u>	<u>505</u>	<u>14,605</u>
19,055	15,955	1,088,756	18,879	43,657	1,346,913
-	-	11,829	205	473	12,507
<u>41</u>	<u>207</u>	<u>12,244</u>	<u>211</u>	<u>486</u>	<u>14,078</u>
<u>41</u>	<u>207</u>	<u>24,073</u>	<u>416</u>	<u>959</u>	<u>26,585</u>
19,014	15,748	1,064,683	18,463	42,698	1,320,328
<u>1</u>	<u>1</u>	<u>69</u>	<u>-</u>	<u>-</u>	<u>764</u>
<u>29,843</u>	<u>26,214</u>	<u>1,299,337</u>	<u>22,777</u>	<u>51,226</u>	<u>1,663,006</u>
8,787	5,270	234,156	5,068	11,970	324,502
-	-	11,242	-	211	11,453
<u>337</u>	<u>430</u>	<u>3,759</u>	<u>369</u>	<u>413</u>	<u>7,197</u>
<u>9,124</u>	<u>5,700</u>	<u>249,157</u>	<u>5,437</u>	<u>12,594</u>	<u>343,152</u>
(1,089)	1,089	-	-	-	-
19,630	21,603	1,050,180	17,340	38,632	1,319,854
<u>164,782</u>	<u>103,268</u>	<u>5,975,385</u>	<u>103,709</u>	<u>241,064</u>	<u>7,781,850</u>
<u>\$ 184,412</u>	<u>\$ 124,871</u>	<u>\$ 7,025,565</u>	<u>\$ 121,049</u>	<u>\$ 279,696</u>	<u>\$ 9,101,704</u>

State of Nebraska

COMBINING STATEMENT OF FIDUCIARY NET ASSETS PRIVATE PURPOSE TRUST FUNDS

June 30, 2007

(Dollars in Thousands)						
	VOCATIONAL REHABILITATION	CANTEEN AND WELFARE	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
ASSETS:						
Cash and Cash Equivalents	\$ 6,625	\$ 3,531	\$ 6,567	\$ -	\$ 7,855	\$ 24,578
Investments:						
Commingled Funds	-	-	-	1,638,591	-	1,638,591
Short Term Investments	-	-	-	5,477	-	5,477
Receivables:						
Interest and Dividends	94	50	142	1,078	111	1,475
Other	-	2	-	-	-	2
Other Assets	-	4	10,253	-	35	10,292
TOTAL ASSETS	<u>\$ 6,719</u>	<u>\$ 3,587</u>	<u>\$ 16,962</u>	<u>\$ 1,645,146</u>	<u>\$ 8,001</u>	<u>\$ 1,680,415</u>
LIABILITIES AND NET ASSETS:						
LIABILITIES:						
Accounts Payable and Accrued Liabilities	\$ 5	\$ 444	\$ 185	\$ 1,891	\$ 29	\$ 2,554
Deposits	-	-	-	-	35	35
Due to Other Funds	-	2	6	-	11	19
TOTAL LIABILITIES	<u>5</u>	<u>446</u>	<u>191</u>	<u>1,891</u>	<u>75</u>	<u>2,608</u>
NET ASSETS:						
Held in Trust for:						
College Savings Plan	-	-	-	1,643,255	-	1,643,255
Other Purposes	<u>6,714</u>	<u>3,141</u>	<u>16,771</u>	<u>-</u>	<u>7,926</u>	<u>34,552</u>
TOTAL NET ASSETS	<u>6,714</u>	<u>3,141</u>	<u>16,771</u>	<u>1,643,255</u>	<u>7,926</u>	<u>1,677,807</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,719</u>	<u>\$ 3,587</u>	<u>\$ 16,962</u>	<u>\$ 1,645,146</u>	<u>\$ 8,001</u>	<u>\$ 1,680,415</u>

State of Nebraska

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PRIVATE PURPOSE TRUST FUNDS

For the Year Ended June 30, 2007

(Dollars in Thousands)

	VOCATIONAL REHABILITATION	CANTEEN AND WELFARE	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
ADDITIONS:						
Contributions:						
Participant Contributions	\$ -	\$ -	\$ -	\$ 435,107	\$ -	\$ 435,107
Client Contributions	-	158	-	-	67	225
Investment Income:						
Net Appreciation (Depreciation) in Fair Value of Investments	-	-	-	134,863	-	134,863
Interest and Dividend Income	176	161	346	48,452	355	49,490
Investment Expenses	-	-	-	10,290	-	10,290
Total Investment Income	176	161	346	173,025	355	174,063
Escheat Revenue	-	-	11,195	-	-	11,195
Other Additions	4,892	4,566	-	-	348	9,806
TOTAL ADDITIONS	5,068	4,885	11,541	608,132	770	630,396
DEDUCTIONS:						
Benefits	-	-	-	216,209	-	216,209
Amounts Distributed to Outside Parties	1,712	3,762	8,654	-	581	14,709
Administrative Expenses	-	858	699	-	250	1,807
TOTAL DEDUCTIONS	1,712	4,620	9,353	216,209	831	232,725
Change in Net Assets Held in Trust for:						
College Savings Plan	-	-	-	391,923	-	391,923
Other Purposes	3,356	265	2,188	-	(61)	5,748
NET ASSETS-BEGINNING OF YEAR	3,358	2,876	14,583	1,251,332	7,987	1,280,136
NET ASSETS-END OF YEAR	\$ 6,714	\$ 3,141	\$ 16,771	\$ 1,643,255	\$ 7,926	\$ 1,677,807

State of Nebraska

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

June 30, 2007

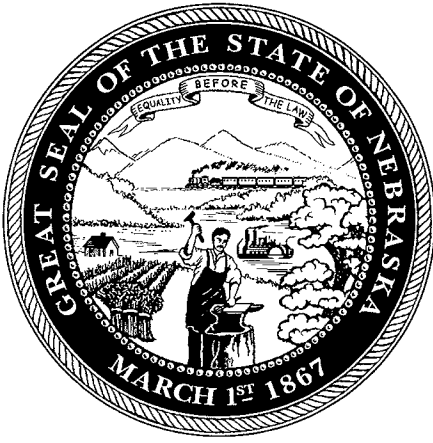
(Dollars in Thousands)

	LOCAL GOVERNMENT FUND	OTHER	TOTALS
ASSETS:			
Cash and Cash Equivalents	\$ 51,096	\$ 44,557	\$ 95,653
Receivables:			
Interest and Dividends Receivable	548	212	760
Other	-	460	460
TOTAL ASSETS	<u>\$ 51,644</u>	<u>\$ 45,229</u>	<u>\$ 96,873</u>
LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 640	\$ 17,010	\$ 17,650
Due to Other Governments	51,004	-	51,004
Other Liabilities	-	28,219	28,219
TOTAL LIABILITIES	<u>\$ 51,644</u>	<u>\$ 45,229</u>	<u>\$ 96,873</u>

State of Nebraska
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2007

(Dollars in Thousands)	BALANCE JULY 1, 2006	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2007
LOCAL GOVERNMENT FUND				
ASSETS				
Cash and Cash Equivalents	\$ 43,826	\$ 455,800	\$ 448,530	\$ 51,096
Receivables:				
Interest and Dividends Receivable	421	1,374	1,247	548
Other	-	56	56	-
TOTAL ASSETS	<u>\$ 44,247</u>	<u>\$ 457,230</u>	<u>\$ 449,833</u>	<u>\$ 51,644</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 159	\$ 216,750	\$ 216,269	\$ 640
Due to Other Governments	44,088	240,480	233,564	51,004
TOTAL LIABILITIES	<u>\$ 44,247</u>	<u>\$ 457,230</u>	<u>\$ 449,833</u>	<u>\$ 51,644</u>
OTHER				
ASSETS				
Cash and Cash Equivalents	\$ 43,852	\$ 423,632	\$ 422,927	\$ 44,557
Receivables:				
Interest and Dividends Receivable	130	763	681	212
Other	559	12,059	12,158	460
TOTAL ASSETS	<u>\$ 44,541</u>	<u>\$ 436,454</u>	<u>\$ 435,766</u>	<u>\$ 45,229</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 17,167	\$ 56,216	\$ 56,373	\$ 17,010
Other Liabilities	27,374	380,238	379,393	28,219
TOTAL LIABILITIES	<u>\$ 44,541</u>	<u>\$ 436,454</u>	<u>\$ 435,766</u>	<u>\$ 45,229</u>
TOTALS				
ASSETS				
Cash and Cash Equivalents	\$ 87,678	\$ 879,432	\$ 871,457	\$ 95,653
Receivables:				
Interest and Dividends Receivable	551	2,137	1,928	760
Other	559	12,115	12,214	460
TOTAL ASSETS	<u>\$ 88,788</u>	<u>\$ 893,684</u>	<u>\$ 885,599</u>	<u>\$ 96,873</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 17,326	\$ 272,966	\$ 272,642	\$ 17,650
Due to Other Governments	44,088	240,480	233,564	51,004
Other Liabilities	27,374	380,238	379,393	28,219
TOTAL LIABILITIES	<u>\$ 88,788</u>	<u>\$ 893,684</u>	<u>\$ 885,599</u>	<u>\$ 96,873</u>





STATISTICAL SECTION

STATISTICAL SECTION TABLE OF CONTENTSFor the Year Ended June 30, 2007

Page

This part of the State of Nebraska's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the State's overall financial health.

FINANCIAL TRENDS INFORMATION

These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The state implemented GASB Statement 34 in 2002; schedules presenting government-wide information included information beginning that year.

State of Nebraska
NET ASSETS BY COMPONENT
 2002 – 2007

(Dollars in Thousands)

	2002	2003	2004	2005	2006	2007
Governmental activities						
Invested in capital assets, net of related debt	\$ 6,749,014	\$ 6,909,470	\$ 6,980,310	\$ 7,110,299	\$ 7,269,102	\$ 7,428,729
Restricted	1,005,046	933,033	1,050,902	1,099,437	1,566,634	1,762,849
Unrestricted	349,311	134,471	425,811	804,266	681,330	966,918
Total governmental activities net assets	<u>\$ 8,103,371</u>	<u>\$ 7,976,974</u>	<u>\$ 8,457,023</u>	<u>\$ 9,014,002</u>	<u>\$ 9,517,066</u>	<u>\$ 10,158,496</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 6,994	\$ 6,563	\$ 6,424	\$ 6,235	\$ 6,066	\$ 5,763
Restricted	222,534	195,802	184,665	213,058	274,537	321,396
Unrestricted	16,570	14,358	12,592	26,070	30,144	31,019
Total business-type activities net assets	<u>\$ 246,098</u>	<u>\$ 216,723</u>	<u>\$ 203,681</u>	<u>\$ 245,363</u>	<u>\$ 310,747</u>	<u>\$ 358,178</u>
Primary government						
Invested in capital assets, net of related debt	\$ 6,756,008	\$ 6,916,033	\$ 6,986,734	\$ 7,116,534	\$ 7,275,168	\$ 7,434,492
Restricted	1,227,580	1,128,835	1,235,567	1,312,495	1,841,171	2,084,245
Unrestricted	365,881	148,829	438,403	830,336	711,474	997,937
Total primary government net assets	<u>\$ 8,349,469</u>	<u>\$ 8,193,697</u>	<u>\$ 8,660,704</u>	<u>\$ 9,259,365</u>	<u>\$ 9,827,813</u>	<u>\$ 10,516,674</u>

NOTE: In 2006, restricted net assets increased significantly due to the implementation of GASB Statement No. 46.

State of Nebraska
CHANGES IN NET ASSETS
2002 – 2007

(Dollars in Thousands)

	2002	2003	2004	2005	2006	2007
Governmental Activities:						
Expenses						
General Government	\$ 251,430	\$ 404,682	\$ 293,586	\$ 320,608	\$ 308,567	\$ 354,737
Conservation of Natural Resources	99,687	87,746	91,996	95,589	100,476	119,286
Culture - Recreation	23,961	28,083	20,352	28,524	27,174	27,031
Economic Development and Assistance	86,874	83,974	80,417	79,618	87,299	89,310
Education	1,172,967	1,215,793	1,201,349	1,224,973	1,318,123	1,369,110
Higher Education - Colleges and University	466,397	461,325	438,225	451,404	482,229	528,861
Health and Social Services	2,167,183	2,219,649	2,329,940	2,494,782	2,593,692	2,649,535
Public Safety	233,666	237,538	254,085	282,474	288,659	359,755
Regulation of Business and Professions	104,768	117,235	126,978	139,248	151,853	155,692
Transportation	664,228	626,550	715,553	716,259	697,210	614,919
Interest on Long-term Debt	2,468	3,808	3,018	2,800	2,556	2,337
Total expenses	<u>5,273,629</u>	<u>5,486,383</u>	<u>5,555,499</u>	<u>5,836,279</u>	<u>6,057,838</u>	<u>6,270,573</u>
Program Revenues						
Charges for Services:						
General Government	52,894	57,497	63,919	64,746	73,624	86,746
Conservation of Natural Resources	24,704	27,644	31,909	22,049	24,332	34,578
Culture - Recreation	17,140	16,441	15,544	16,700	15,977	16,823
Economic Development and Assistance	3,763	2,221	3,551	3,600	3,195	5,043
Education	25,496	34,810	35,140	27,470	23,346	26,180
Health and Social Services	160,294	130,487	152,240	147,720	120,526	115,036
Public Safety	23,229	23,275	26,077	27,614	26,183	24,348
Regulation of Business and Professions	43,918	112,754	116,772	122,536	113,418	118,119
Transportation	82,542	82,414	77,630	95,322	90,951	89,358
Operating grants and contributions	1,783,349	1,801,023	2,146,719	2,121,384	2,151,817	2,217,531
Capital grants and contributions	1,360	5,354	6,422	12,245	4,461	8,137
Total program revenues	<u>2,218,689</u>	<u>2,293,920</u>	<u>2,675,923</u>	<u>2,661,386</u>	<u>2,647,830</u>	<u>2,741,899</u>
Total Governmental Activities Net Program Expense	<u>(3,054,940)</u>	<u>(3,192,463)</u>	<u>(2,879,576)</u>	<u>(3,174,893)</u>	<u>(3,410,008)</u>	<u>(3,528,674)</u>
General Revenues and Other Changes in Net Assets						
Taxes						
Income taxes	1,254,699	1,236,845	1,400,161	1,612,683	1,803,670	1,859,467
Sales and use taxes	1,134,048	1,218,045	1,284,260	1,376,100	1,410,980	1,441,743
Petroleum taxes	310,401	311,198	313,539	311,231	312,809	326,795
Excise taxes	85,969	108,788	122,462	126,593	134,406	137,525
Business and franchise taxes	57,322	59,490	67,322	70,344	79,723	68,771
Other taxes	24,366	25,187	33,089	68,885	35,369	36,832
Total taxes	<u>2,866,805</u>	<u>2,959,553</u>	<u>3,220,833</u>	<u>3,565,836</u>	<u>3,776,957</u>	<u>3,871,133</u>
Unrestricted investment earnings	65,776	73,888	86,502	117,977	92,892	250,175
Miscellaneous	350	-	1,055	5,106	39	730
Contributions to permanent fund principal	9,938	12,395	11,715	16,581	15,582	18,800
Transfers	18,486	20,230	20,591	26,372	27,602	29,266
Total general revenues and other changes in net assets	<u>2,961,355</u>	<u>3,066,066</u>	<u>3,340,696</u>	<u>3,731,872</u>	<u>3,913,072</u>	<u>4,170,104</u>
Total Governmental Activities Change in Net Assets	<u>\$ (93,585)</u>	<u>\$ (126,397)</u>	<u>\$ 461,120</u>	<u>\$ 556,979</u>	<u>\$ 503,064</u>	<u>\$ 641,430</u>

State of Nebraska
CHANGES IN NET ASSETS (Continued)
2002 – 2007

(Dollars in Thousands)

	2002	2003	2004	2005	2006	2007
<u>Business-type Activities:</u>						
Expenses						
Unemployment Insurance	\$ 132,284	\$ 160,664	\$ 156,172	\$ 114,496	\$ 101,433	\$ 93,939
Lottery	56,133	61,455	73,264	77,128	83,440	85,895
Excess Liability	10,756	13,796	14,595	1,984	12,551	13,731
Cornhusker State Industries	9,043	6,103	7,868	10,509	10,552	11,690
Total expenses	<u>208,216</u>	<u>242,018</u>	<u>251,899</u>	<u>204,117</u>	<u>207,976</u>	<u>205,255</u>
Revenues						
Charges for services:						
Unemployment Insurance	133,766	123,393	132,379	133,840	154,413	127,340
Lottery	73,957	80,919	92,608	100,658	113,108	114,489
Excess Liability	3,264	6,686	9,683	10,949	12,903	12,474
Cornhusker State Industries	9,783	5,196	9,598	13,022	10,851	9,341
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-
Total revenues	<u>220,770</u>	<u>216,194</u>	<u>244,268</u>	<u>258,469</u>	<u>291,275</u>	<u>263,644</u>
Total Business-type Activities Net Program Expense	<u>12,554</u>	<u>(25,824)</u>	<u>(7,631)</u>	<u>54,352</u>	<u>83,299</u>	<u>58,389</u>
Other Changes in Net Assets						
Unrestricted investment earnings	15,120	16,679	15,183	13,705	10,110	18,308
Miscellaneous	-	-	(3)	(3)	(423)	-
Transfers	(18,486)	(20,230)	(20,591)	(26,372)	(27,602)	(29,266)
Total other changes in net assets	<u>(3,366)</u>	<u>(3,551)</u>	<u>(5,411)</u>	<u>(12,670)</u>	<u>(17,915)</u>	<u>(10,958)</u>
Total Business-type Activities Change in Net Assets	<u>\$ 9,188</u>	<u>\$ (29,375)</u>	<u>\$ (13,042)</u>	<u>\$ 41,682</u>	<u>\$ 65,384</u>	<u>\$ 47,431</u>
 Total Primary Government Change in Net Assets	 <u><u>\$ (84,397)</u></u>	 <u><u>\$ (155,772)</u></u>	 <u><u>\$ 448,078</u></u>	 <u><u>\$ 598,661</u></u>	 <u><u>\$ 568,448</u></u>	 <u><u>\$ 688,861</u></u>

NOTE: The increases in taxes and change in net assets from 2004 to 2007 for governmental activities were primarily due to a strengthening economy.



State of Nebraska
FUND BALANCES
GOVERNMENTAL FUNDS
2002 – 2007

(Dollars in thousands)

	2002	2003	2004	2005	2006	2007
General Fund						
Reserved	\$ 87	\$ 274	\$ 525	\$ 532	\$ 482	\$ 438
Unreserved	80,612	(17,319)	207,282	408,771	691,757	971,205
Total general fund	<u>\$ 80,699</u>	<u>\$ (17,045)</u>	<u>\$ 207,807</u>	<u>\$ 409,303</u>	<u>\$ 692,239</u>	<u>\$ 971,643</u>
All Other Governmental Funds						
Reserved	\$ 306,141	\$ 333,228	\$ 347,660	\$ 377,818	\$ 619,319	\$ 659,349
Unreserved						
Special revenue funds	837,007	765,310	879,041	936,316	893,536	1,014,579
Permanent funds	189,612	197,586	224,869	250,127	77,768	115,901
Other funds	22,514	30,030	32,206	34,295	47,071	51,784
Total all other governmental funds	<u>\$ 1,355,274</u>	<u>\$ 1,326,154</u>	<u>\$ 1,483,776</u>	<u>\$ 1,598,556</u>	<u>\$ 1,637,694</u>	<u>\$ 1,841,613</u>

State of Nebraska
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
1998 – 2007

(Dollars in Thousands)

	1998	1999	2000	2001
REVENUES:				
Taxes:				
Income	\$ 1,121,849	\$ 1,199,499	\$ 1,310,210	\$ 1,374,256
Sales and Use	910,437	868,620	1,083,692	1,068,832
Petroleum	269,761	266,419	280,700	291,545
Excise	94,557	94,142	95,324	86,518
Business and Franchise	31,486	40,396	42,095	56,420
Other	25,480	24,590	27,735	35,621
Total Taxes	<u>2,453,570</u>	<u>2,493,666</u>	<u>2,839,756</u>	<u>2,913,192</u>
Federal Grants and Contracts	1,263,946	1,400,439	1,557,699	1,591,531
Licenses, Fees and Permits	146,128	154,352	160,915	159,338
Charges for Services	68,634	75,343	78,647	81,691
Investment Income	125,904	93,522	91,173	114,774
Rents and Royalties	31,614	31,954	34,123	33,711
Other	73,267	115,983	181,894	146,874
TOTAL REVENUES	<u>4,163,063</u>	<u>4,365,259</u>	<u>4,944,207</u>	<u>5,041,111</u>
EXPENDITURES:				
Current:				
General Government	187,370	203,011	215,098	268,235
Conservation of Natural Resources	73,637	82,049	95,824	94,481
Culture – Recreation	21,311	22,588	22,754	24,059
Economic Development and Assistance	71,240	74,672	80,559	81,045
Education	853,687	1,032,960	1,080,926	1,089,059
Higher Education - Colleges and University	392,403	404,314	429,865	442,176
Health and Social Services	1,469,078	1,646,773	1,794,428	1,960,469
Public Safety	170,797	177,519	189,850	197,363
Regulation of Business and Professions	42,367	42,930	68,044	81,855
Transportation	600,957	658,509	760,048	670,896
Capital Projects	18,404	23,177	66,478	45,321
Debt Service				
Principal	2,370	4,880	13,065	3,125
Interest	1,097	1,017	1,288	1,699
TOTAL EXPENDITURES	<u>3,904,718</u>	<u>4,374,399</u>	<u>4,818,227</u>	<u>4,959,783</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	258,345	(9,140)	125,980	81,328
OTHER FINANCING SOURCES (USES)				
Transfers In	104,979	123,474	174,364	151,673
Transfers Out	(86,071)	(106,603)	(158,142)	(129,619)
Other	3,002	55	30,636	2,947
NET CHANGE IN FUND BALANCE	280,255	7,786	172,838	106,329
Restatements	-	-	-	-
BEGINNING FUND BALANCE	<u>1,027,337</u>	<u>1,307,592</u>	<u>1,315,378</u>	<u>1,488,216</u>
ENDING FUND BALANCE	<u>\$ 1,307,592</u>	<u>\$ 1,315,378</u>	<u>\$ 1,488,216</u>	<u>\$ 1,594,545</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<1%	<1%	<1%	<1%

NOTE: Revenue has been higher than expenditures from 2004 to 2007, primarily due to a strengthening economy, resulting in an increased fund balance. The increase of general government expenditures in 2005 was due to settling a low-level radioactive waste lawsuit.

2002	2003	2004	2005	2006	2007
\$ 1,252,950	\$ 1,237,075	\$ 1,402,371	\$ 1,610,008	\$ 1,802,161	\$ 1,860,712
1,135,014	1,215,621	1,283,592	1,376,675	1,411,152	1,437,994
309,245	311,198	313,539	311,231	312,809	329,490
83,567	107,227	122,320	124,525	132,348	135,449
57,321	59,490	67,322	70,344	79,723	68,771
24,912	25,187	33,089	68,885	35,369	36,832
<u>2,863,009</u>	<u>2,955,798</u>	<u>3,222,233</u>	<u>3,561,668</u>	<u>3,773,562</u>	<u>3,869,248</u>
1,789,617	1,806,377	2,153,141	2,133,629	2,156,278	2,225,668
169,748	177,317	183,314	198,970	196,966	211,167
82,058	74,470	82,320	93,654	82,132	92,370
57,660	71,225	83,702	115,540	89,888	246,753
33,586	44,561	39,845	41,437	45,951	49,968
148,168	196,148	222,577	201,814	172,545	173,948
<u>5,143,846</u>	<u>5,325,896</u>	<u>5,987,132</u>	<u>6,346,712</u>	<u>6,517,322</u>	<u>6,869,122</u>
225,446	252,230	240,354	405,798	296,209	311,324
102,401	88,716	92,682	98,067	104,118	119,533
29,002	26,844	26,081	28,313	26,392	26,250
86,401	83,378	80,531	81,172	87,462	89,440
1,172,525	1,208,046	1,203,430	1,223,461	1,318,785	1,366,330
466,397	461,325	438,225	451,404	482,229	528,861
2,159,887	2,219,154	2,337,338	2,475,952	2,605,402	2,659,210
238,874	236,277	262,344	285,732	287,735	359,514
104,364	116,560	127,079	139,086	151,850	155,195
750,704	752,810	794,342	844,709	837,796	763,907
25,961	27,773	19,162	19,048	25,101	27,494
8,805	3,830	4,145	5,525	4,660	6,575
1,886	1,934	1,971	1,852	1,742	1,666
<u>5,372,653</u>	<u>5,478,877</u>	<u>5,627,684</u>	<u>6,060,119</u>	<u>6,229,481</u>	<u>6,415,299</u>
(228,807)	(152,981)	359,448	286,593	287,841	453,823
151,187	147,825	126,343	152,721	171,981	155,268
(130,025)	(126,721)	(104,664)	(126,349)	(144,379)	(126,002)
37,719	5,013	1,347	3,311	6,631	234
(169,926)	(126,864)	382,474	316,276	322,074	483,323
11,354	-	-	-	-	-
<u>1,594,545</u>	<u>1,435,973</u>	<u>1,309,109</u>	<u>1,691,583</u>	<u>2,007,859</u>	<u>2,329,933</u>
<u>\$ 1,435,973</u>	<u>\$ 1,309,109</u>	<u>\$ 1,691,583</u>	<u>\$ 2,007,859</u>	<u>\$ 2,329,933</u>	<u>\$ 2,813,256</u>
<1%	<1%	<1%	<1%	<1%	<1%

State of Nebraska
INDIVIDUAL INCOME TAX RATES
 1997 – 2006

	Tax Brackets			
	Bracket 1	Bracket 2	Bracket 3	Bracket 4
Single				
1997 - 2005 Income Range	\$0-2,400	\$2,400-17,000	\$17,000-26,500	Over \$26,500
2006 Income Range	\$0-2,400	\$2,400-17,500	\$17,500-27,000	Over \$27,000
1997 - 2002 Rates	2.51%	3.49%	5.01%	6.68%
2003 - 2006 Rates	2.56%	3.57%	5.12%	6.84%
Heads of Household				
1997 - 2005 Income Range	\$0-3,800	\$3,800-24,000	\$24,000-35,000	Over \$35,000
2006 Income Range	\$0-3,800	\$3,800-25,000	\$25,000-35,000	Over \$35,000
1997 - 2002 Rates	2.51%	3.49%	5.01%	6.68%
2003 - 2006 Rates	2.56%	3.57%	5.12%	6.84%
Married Filing Joint				
1997 - 2005 Income Range	\$0-4,000	\$4,000-30,000	\$30,000-46,750	Over \$46,750
2006 Income Range	\$0-4,000	\$4,000-31,000	\$31,000-50,000	Over \$50,000
1997 - 2002 Rates	2.51%	3.49%	5.01%	6.68%
2003 - 2006 Rates	2.56%	3.57%	5.12%	6.84%
Married Filing Separate				
1997 - 2005 Income Range	\$0-2,000	\$2,000-15,000	\$15,000-23,375	Over \$23,375
2006 Income Range	\$0-2,000	\$2,000-15,500	\$15,500-25,000	Over \$25,000
1997 - 2002 Rates	2.51%	3.49%	5.01%	6.68%
2003 - 2006 Rates	2.56%	3.57%	5.12%	6.84%

SOURCE: 2006 Nebraska Department of Revenue Annual Report

State of Nebraska

INDIVIDUAL INCOME TAX LIABILITY BY INCOME LEVEL

Tax Years 1996 and 2005

1996				
Federal Adjusted Gross Income Level	Number of Returns	Net Liability After Nonrefundable Credits	Number of Returns With Liability	Net Liability Percent
Less Than \$5,000	153,884	\$1,600,467	27,438	0.18%
\$5,000 -14,999	134,541	\$14,324,840	118,570	1.65%
\$15,000 - 24,999	147,098	\$49,469,976	144,058	5.69%
\$25,000 - 34,999	100,676	\$65,631,415	99,999	7.55%
\$35,000 and Over	278,794	\$738,743,086	276,465	84.94%
State Total	814,993	\$869,769,784	666,530	100.00%

2005				
Federal Adjusted Gross Income Level	Number of Returns	Net Liability After Nonrefundable Credits	Number of Returns With Liability	Net Liability Percent
Less Than \$10	170,576	\$4,649,238	57,902	0.33%
\$10 - 24,999	188,779	\$40,561,585	177,637	2.87%
\$25,000 - 49,999	220,451	\$180,707,651	216,416	12.78%
\$50,000 - 99,999	200,671	\$454,323,554	198,792	32.13%
\$100,000 +	81,900	\$733,978,782	79,537	51.90%
State Total	862,377	\$1,414,220,810	730,284	100.00%

SOURCE: Department of Revenue Annual Reports

NOTE: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the state's revenue. Calendar year 2005 is the most recent year for which data is available.

State of Nebraska
TAXABLE SALES BY INDUSTRY
 Calendar Years 1997 and 2006

	1997	2006
Agriculture, Forestry, Fishing & Hunting	\$85,284,101	\$66,658,538
Mining	34,101,898	44,552,539
Utilities (1)		1,806,935,192
Construction	246,436,151	877,523,045
Manufacturing	512,298,986	575,251,378
Wholesale Trade	997,961,454	1,332,807,057
Retail Trade	7,766,820,741	8,791,236,842
Transportation (1)	2,001,848,074	81,111,283
Warehousing Services (2)		22,195,783
Information (1)		889,872,472
Finance & Insurance	78,946,822	65,701,919
Real Estate, Rental & Leasing Services (2)		215,219,634
Professional, Scientific & Technical Services (2)		278,166,467
Management of Companies & Enterprises Services (2)		4,375,857
Administration, Support, Waste Management, Remedial Services (2)		522,880,801
Educational Services (2)		62,426,209
Health Care & Social Assistance Services (2)		35,405,971
Arts, Entertainment & Recreation Services (2)		277,203,748
Accommodation & Food Services (2)		2,326,051,680
Other Services (2)	1,808,934,134	730,540,516
Public Administration		122,659,844
Unclassified	206,992,749	39,390,058
Nebraska Total	13,739,625,110	19,168,166,833
Non-Nebraska (3)	1,870,807,957	3,149,224,588
Nebraska - Total Sales	<u>\$15,610,433,067</u>	<u>\$22,317,391,421</u>
Direct sales tax rate	5%	5.5%

SOURCE: Nebraska Department of Revenue - Annual Report
 Sales Tax Statistics by Nebraska Business Classification

NOTES: (1) Utilities and Information were included in Transportation in 1997.
 (2) All services were listed as a single figure as Other Services in 1997.
 (3) Sales made by non-Nebraska vendors, goods delivered to Nebraska, sales tax remitted to Nebraska.

State of Nebraska

RATIOS OF OUTSTANDING DEBT

2002 – 2007

(Dollars in thousands)

	2002	2003	2004	2005	2006	2007
Governmental Activities						
Lease rental bonds (blended component units)	\$ 33,210	\$ 30,960	\$ 27,265	\$ 23,430	\$ 19,435	\$ 15,240
Capital leases under certificates of participation	31,885	29,836	27,235	24,927	22,965	22,072
Obligations under other financing arrangements	<u>7,185</u>	<u>10,555</u>	<u>11,230</u>	<u>11,430</u>	<u>16,185</u>	<u>13,805</u>
Total Primary Government	<u>\$ 72,280</u>	<u>\$ 71,351</u>	<u>\$ 65,730</u>	<u>\$ 59,787</u>	<u>\$ 58,585</u>	<u>\$ 51,117</u>
Debt as a Percentage of Personal Income	0.14%	0.13%	0.12%	0.10%	0.10%	0.08% *
Amount of Debt per Capita	\$ 42	\$ 41	\$ 38	\$ 34	\$ 33	\$ 29 *

NOTE: Details regarding Bonds Payable, Lease Commitments and Obligations Under Other Financing Arrangements can be found in Notes 7, 8 & 9 of the financial statements.

Population figures from the Population, Personal and Per Capita Income schedule on page 121.

* 2007 figures were computed using 2006 census information as 2007 census data is not available.

State of Nebraska

COMPARATIVE UNEMPLOYMENT NEBRASKA AND UNITED STATES

1997 – 2006

YEAR	NEBRASKA			NEBRASKA UNEMPLOYMENT AS PERCENT OF LABOR FORCE	UNITED STATES UNEMPLOYMENT AS PERCENT OF LABOR FORCE
	TOTAL LABOR FORCE	TOTAL EMPLOYMENT	UNEMPLOYMENT		
1997	906,256	882,615	23,641	2.6	4.9
1998	916,440	891,709	24,731	2.7	4.5
1999	911,831	885,755	26,076	2.9	4.2
2000	924,298	896,761	27,537	3.0	4.0
2001	928,297	899,429	28,868	3.1	4.7
2002	954,013	920,662	33,351	3.5	5.8
2003	976,034	936,664	39,370	4.0	6.0
2004	985,340	947,882	37,458	3.8	5.5
2005	986,296	949,070	37,226	3.8	5.1
2006	974,476	945,270	29,206	3.0	4.6

SOURCE: Nebraska Statistics – Nebraska Department of Labor, Labor Market Information
United States Unemployment – U.S. Department of Labor, Bureau of Labor Statistics

State of Nebraska

POPULATION, PERSONAL AND PER CAPITA INCOME NEBRASKA AND UNITED STATES

Calendar Years 1997 – 2006

YEAR	NEBRASKA			UNITED STATES		
	POPULATION	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME	POPULATION	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME
1997	1,686,418	40,576	24,061	272,646,925	6,907,332	25,334
1998	1,695,816	43,314	25,542	275,854,104	7,415,709	26,883
1999	1,704,764	45,116	26,465	279,040,168	7,796,139	27,939
2000	1,713,261	47,329	27,625	282,193,477	8,422,074	29,845
2001	1,718,965	49,303	28,682	285,107,923	8,716,992	30,574
2002	1,726,753	50,390	29,182	287,984,799	8,872,521	30,810
2003	1,738,013	53,388	30,718	290,850,005	9,150,108	31,463
2004	1,747,704	55,858	31,961	293,656,842	9,717,173	33,090
2005	1,758,787	58,019	32,988	296,410,404	10,224,761	34,495
2006	1,768,331	60,826	34,383	299,398,484	10,860,917	36,629

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

State of Nebraska

TEN LARGEST EMPLOYERS

2005 and 1995

	December 2005			December 1995		
	Total	Employment	949,070	Total	Employment	874,357
NAME OF COMPANY	RANK	NUMBER OF EMPLOYEES	% OF TOTAL EMPLOYMENT	RANK	NUMBER OF EMPLOYEES	% OF TOTAL EMPLOYMENT
State of Nebraska (excluding University)	1	18,653	1.965	1	17,700	2.024
US Government (excluding Department of Defense)	2	15,403	1.623	2	16,000	1.830
Offutt Air Force Base	3	11,137	1.173	4	11,000	1.258
Tyson Foods, Inc. (1995-IBP)	4	11,000	1.159	5	9,400	1.075
University of Nebraska *	5	10,547	1.111	3	14,900	1.704
Walmart	6	9,755	1.028	12	4,800	0.549
Omaha Public Schools	7	8,073	0.851	6	8,600	0.984
Union Pacific Corporation	8	7,200	0.759	8	6,300	0.721
Alegent Health **	9	6,675	0.703	11	5,100	0.583
First Data Corp.	10	6,300	0.664	7	8,000	0.915
Mutual of Omaha Ins. Co.				9	6,000	0.686
ConAgra				10	5,900	0.675

SOURCE: 2005 -Nebraska Databook published by the Department of Economic Development, Research Division
1995- Nebraska Blue Book 1996-97

NOTES:

* University of Nebraska - Medical Center, University of Nebraska - Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney

** Alegent was formed from the 1995 employers Bergan Mercy Hospital and Immanuel Medical Center

Calendar year 2005 is the most recent year for which data is available.

State of Nebraska

**PUBLIC AND STATE OPERATED SCHOOL ENROLLMENT
PREKINDERGARTEN – GRADE 12**

1997/98 – 2006/07

ACADEMIC YEAR	PRE KDG. AND KDG.	GRADES 1 – 3	GRADES 4 – 6	GRADES 7 – 9	GRADES 10 – 12	TOTAL ALL GRADES
1997 – 1998	25,543	65,014	64,721	70,452	66,389	292,119
1998 – 1999	25,740	64,664	64,256	69,991	66,485	291,136
1999 – 2000	25,219	63,118	64,409	69,099	66,386	288,231
2000 – 2001	25,216	60,896	64,942	67,392	66,576	285,022
2001 – 2002	25,931	60,645	64,003	68,566	66,251	285,396
2002 – 2003	25,931	60,645	64,003	68,546	66,257	285,382
2003 – 2004	26,639	60,673	63,120	69,359	65,751	285,542
2004 – 2005	26,848	61,011	62,210	69,253	65,237	284,559
2005 – 2006	28,028	61,593	61,478	68,325	66,124	285,548
2006 – 2007	29,013	62,781	61,358	67,008	66,975	287,135

SOURCE: Statistics and Facts About Nebraska Schools, Nebraska Department of Education.

State of Nebraska

**PUBLIC HIGHER EDUCATION INSTITUTIONS
TOTAL FALL HEADCOUNT ENROLLMENT**

1997 – 2006

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
COLLEGES AND UNIVERSITIES:										
Chadron State College	2,931	2,809	2,768	2,686	2,804	2,712	2,667	2,569	2,472	2,577
Peru State College	1,807	1,695	1,664	1,698	1,629	1,687	1,618	1,683	1,959	2,124
Wayne State College	3,839	3,835	3,601	3,518	3,311	3,220	3,305	3,398	3,322	3,407
University of Nebraska										
Lincoln (1)	23,104	22,669	22,394	22,502	22,998	23,241	22,734	22,012	21,937	22,378
Omaha	13,710	13,274	13,264	13,479	14,143	14,451	13,931	13,824	14,093	13,906
Kearney	7,133	6,849	6,780	6,506	6,426	6,395	6,311	6,382	6,445	6,468
Medical Center	2,618	2,599	2,590	2,696	2,724	2,819	2,865	2,904	2,995	3,067
TOTAL COLLEGES AND UNIVERSITIES	<u>55,142</u>	<u>53,730</u>	<u>53,061</u>	<u>53,085</u>	<u>54,035</u>	<u>54,525</u>	<u>53,431</u>	<u>52,772</u>	<u>53,223</u>	<u>53,927</u>
COMMUNITY COLLEGES										
Central CC (2)	6,743	7,474	7,095	7,126	6,399	6,417	6,364	6,524	6,564	6,543
Metropolitan CC	11,213	11,583	11,658	11,534	11,704	12,253	12,177	12,961	13,237	14,098
Mid-Plains CC	2,694	2,487	2,518	2,607	2,816	3,020	3,001	2,957	2,607	3,030
Northeast CC	4,440	4,754	4,671	4,520	4,600	4,832	4,805	5,053	5,101	5,261
Southeast CC	6,951	7,122	7,351	7,396	7,935	8,912	8,451	10,079	10,059	9,594
Western CC	2,008	1,704	1,836	2,264	2,150	2,152	2,420	2,659	2,283	1,918
TOTAL COMMUNITY COLLEGES	<u>34,049</u>	<u>35,124</u>	<u>35,129</u>	<u>35,447</u>	<u>35,604</u>	<u>37,586</u>	<u>37,218</u>	<u>40,233</u>	<u>39,851</u>	<u>40,444</u>
TOTAL ALL INSTITUTIONS	<u>89,191</u>	<u>88,854</u>	<u>88,190</u>	<u>88,532</u>	<u>89,639</u>	<u>92,111</u>	<u>90,649</u>	<u>93,005</u>	<u>93,074</u>	<u>94,371</u>

NOTE: (1) University of Nebraska-Lincoln count includes NCTA-Curtis for all years.

(2) Central CC reporting under continuous enrollment practice abandoned in 1996. Enrollment numbers have been retroactively changed to the reporting practice consistent with that of the other Community Colleges.

SOURCE: Nebraska Coordinating Commission for Postsecondary Education

State of Nebraska

**FULL TIME EQUIVALENT PERMANENT
EMPLOYEES BY FUNCTION**

1997 – 2006

FUNCTION	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Conservation	292	310	305	340	307	305	308	316	313	313
Regulation	352	359	359	358	348	351	345	355	358	372
Economic Development	566	570	571	529	525	537	528	542	526	532
Culture and Recreation	534	539	548	560	565	584	580	569	579	579
Education	628	595	568	572	591	575	578	587	597	601
Transportation	2,297	2,312	2,297	2,256	2,239	2,201	2,182	2,193	2,175	2,163
General Government	2,524	2,646	2,715	2,783	2,891	2,853	2,612	2,687	2,718	2,769
Public Safety	2,715	2,700	2,716	2,765	2,939	3,199	3,285	3,260	3,303	3,349
Health & Social Services	5,850	5,877	5,918	5,907	5,898	5,834	6,076	6,056	6,115	6,044
	<u>15,759</u>	<u>15,907</u>	<u>15,995</u>	<u>16,069</u>	<u>16,303</u>	<u>16,438</u>	<u>16,493</u>	<u>16,565</u>	<u>16,683</u>	<u>16,721</u>

SOURCE: Nebraska State Government - State Personnel Division - 2007 Almanac

State of Nebraska

OPERATING INDICATORS BY FUNCTION

2002 – 2007

	2002	2003	2004	2005	2006	2007
General Government						
Department of Revenue						
Percentage of returns filed electronically	N/A	N/A	N/A	53.6%	57.6%	62.5%
Percentage of direct deposit refunds	N/A	N/A	N/A	39.7%	43.9%	54.5%
Department of Roads						
Percentage of Roads in very good or good condition (1)	81%	84%	85%	85%	80%	N/A
Conservation of Natural Resources						
Department of Environmental Quality						
Inspections by field office staff						
Air Quality	N/A	N/A	N/A	N/A	82	N/A
Water Quality	N/A	N/A	N/A	N/A	543	N/A
Waste Management	N/A	N/A	N/A	N/A	110	N/A
Culture - Recreation						
Game and Parks Commission						
Park visitors (1,2)	9,725,928	9,885,628	10,085,789	10,293,381	9,997,632	N/A
Hatchery fish raised (in millions) (1)	4.8	5.2	14.2	6.8	15.6	N/A
Education						
Department of Education						
Enrollment						
Pre-K to 12th grade	285,396	285,382	285,542	284,559	285,548	287,135
State Colleges and Universities (3)	54,525	53,431	52,772	53,223	53,927	55,230
Public Community Colleges (3)	37,586	37,218	40,233	39,851	40,444	40,950
Health and Social Services						
Health and Human Services						
Child Support Payments						
Number of Payments Received	N/A	N/A	1,266,853	1,316,154	1,344,778	1,383,619
Number of Payments Disbursed	N/A	N/A	1,111,672	1,127,651	1,153,771	1,202,635
Medicaid (average monthly)						
Medicaid recipients	203,760	201,534	197,152	198,757	200,670	201,009
Percentage of Nebraska population	11.8%	11.6%	11.3%	11.4%	11.3%	N/A
Food Stamps (average monthly)						
Number of households	37,132	41,620	47,292	49,726	51,146	51,915
Percentage of Nebraska households	5.5%	6.2%	6.9%	7.1%	7.3%	N/A
Public Safety						
Department of Correctional Services						
Inmate population (average monthly) (1)	4,446	4,871	4,938	5,010	5,145	N/A
Percentage of Nebraska population	0.26%	0.28%	0.28%	0.29%	0.29%	N/A
Total Admissions (1)	2,505	2,753	2,662	2,924	3,039	N/A
Total Releases (1)	2,365	2,643	2,902	2,800	2,969	N/A
State Patrol						
Miles Patrolled (1)	4,775,016	4,608,046	4,544,473	4,415,514	1,325,771	N/A
Accidents Investigated (1)	2,736	2,557	2,228	2,960	N/A	N/A
Transportation						
Department of Motor Vehicles						
Motor Vehicle Registrations (1)						
Automobiles	1,076,415	1,081,868	1,088,620	1,106,684	1,112,320	N/A
Trucks						
Farm	148,456	147,571	148,278	148,625	147,509	N/A
Commercial / Other	372,929	378,615	383,024	389,947	392,589	N/A
Motorcycles	26,931	29,794	32,916	36,622	40,065	N/A

NOTES: (1) Data is provided on a calendar basis.
 (2) Park visitation is counted in daily visits.
 N/A - Not Available

SOURCE: State Agencies: Department of Revenue, Department of Roads, Department of Environmental Quality, Game and Parks Commission, Department of Education, Health and Human Services, Department of Correctional Services, Nebraska State Patrol, Department of Motor Vehicles

(3) National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS)
 The 2007 numbers have not been certified.

State of Nebraska

CAPITAL ASSET STATISTICS BY FUNCTION

2002 – 2007

	2002	2003	2004	2005	2006	2007
<u>General Government</u>						
Department of Administrative Services						
Buildings	285	285	285	285	285	283
Vehicles	1,083	1,264	1,182	1,006	1,034	1,371
<u>Conservation of Natural Resources</u>						
Game and Parks Commission						
Acres of state park and wildlife land (in thousands)	138	140	143	146	148	149
<u>Culture - Recreation</u>						
Game and Parks Commission						
State Parks	8	8	8	8	8	8
Historical Parks	10	10	10	10	10	10
Recreation and wildlife areas	320	320	320	336	336	336
Fish hatcheries	5	5	5	5	5	5
<u>Education</u>						
NETV Commission						
Towers, antennas and transmitters	42	60	60	60	56	60
<u>Public Safety</u>						
State Patrol						
Pursuit Vehicles	414	429	479	442	364	351
Department of Corrections						
Buildings	112	126	126	124	129	126
<u>Transportation</u>						
Department of Roads						
Highway miles	9,970	9,969	9,959	9,959	9,953	9,950
Heavy trucks, plows and graders	1,072	1,087	1,085	1,083	1,068	1,072

NOTE: Other agencies including those in the Economic Development, Health and Social Services and Regulation functional areas are not capital asset intensive.

SOURCE: State Agencies: Department of Administrative Services, Game and Parks Commission, NETV Commission, Nebraska State Patrol, Department of Correctional Services, and Department of Roads

State of Nebraska

MISCELLANEOUS DATA

June 30, 2007

Date Entered Union	March 1, 1867 (37th State)
Form of Government	Legislative – Executive – Judicial
Land Area	77,358 square miles (16th largest in U.S.)
Elevation	840 to 5,424 feet above sea level
Capital	Lincoln
Largest City	Omaha
Origin of Name	From Oto Indian word "Nebrathka" meaning "flat water"
Nickname	Cornhusker State (from method of harvesting or "husking" corn by hand)

SOURCE: Nebraska Blue Book, 2004-2005.

Acknowledgments

The State Accounting Division of Administrative Services prepared the Comprehensive Annual Financial Report. The following State Accounting Division staff were key members in the preparation of the report:

Bruce Snyder, CPA, CGFM
Amy Wilson, CPA
Julie Heyen
Ruilin Cheng
Colin Wilson
Wei Zhao

Special acknowledgment goes to:

All fiscal and accounting staff throughout the State whose cooperation and efforts contributed to the compilation of the financial information.

Administrative Services, Materiel Division staff who contributed to the report's production and assembly.

Nebraska Game and Parks Commission staff for granting permission to utilize photographs from NEBRASKAland Magazine.

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